Driven by INNOVATION.
Disciplined by OPERATIONAL EXCELLENCE.
Delivering GROWTH through…

Applied Solutions

IDEX CORPORATION

2005 ANNUAL REPORT

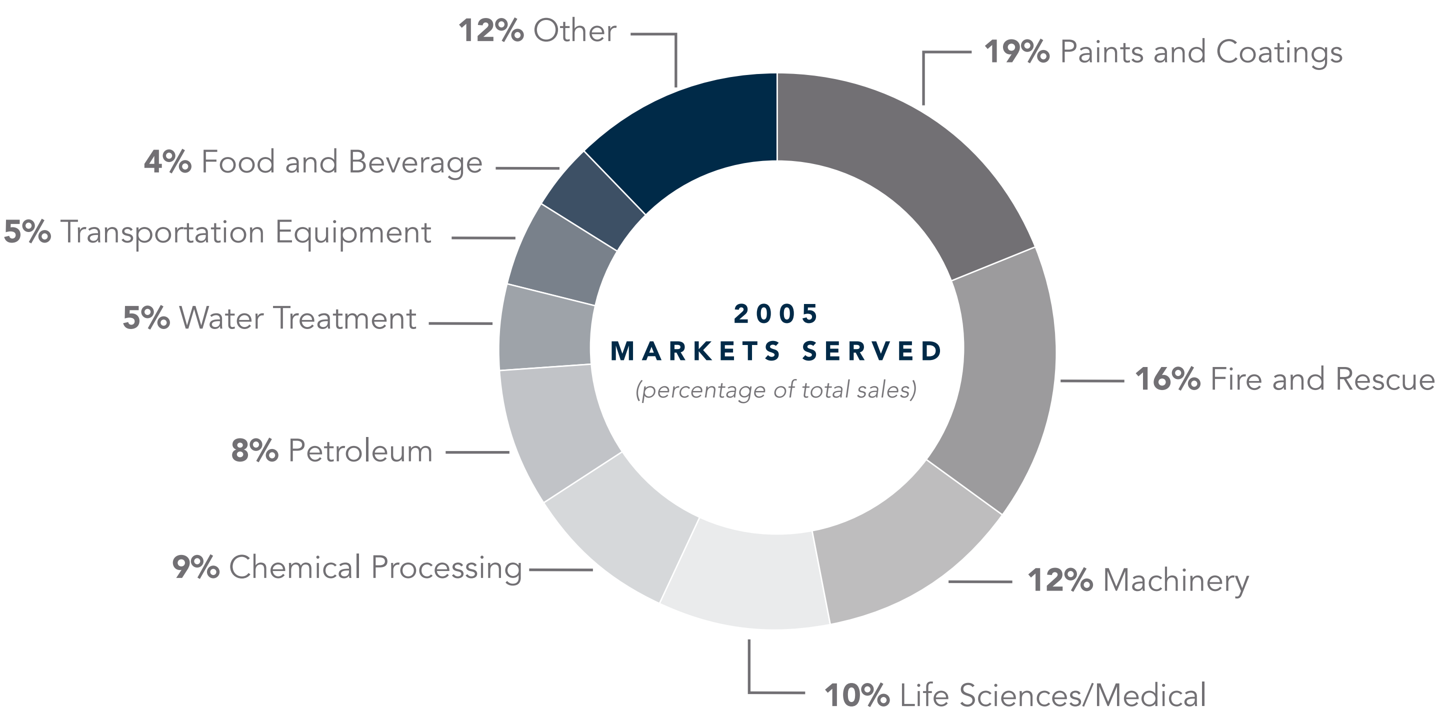
OUR BUSINESS

IDEX Corporation is an applied solutions company. We serve a broad set of customers in a wide variety of market segments. The core of our strategy is to provide engineered fluidic and mechanical solutions to our customers' exacting specifications, anywhere in the world. We are best known for our pump and metering technologies, dispensing equipment, fire suppression equipment, and rescue tools. Our company's stock trades on the New York and Chicago Stock Exchanges under the symbol "IEX."

OUR GROWTH STRATEGY

The IDEX growth strategy is simple: Use operational excellence to drive leveraged earnings expansion, fund innovation for organic growth, and acquire high quality, similar-profile businesses that benefit from our business model and operating expertise.

The successful execution of this strategy has enabled us to deliver real and lasting value to our customers, a challenging and rewarding work environment to our employees, and consistent, profitable growth to our shareholders.

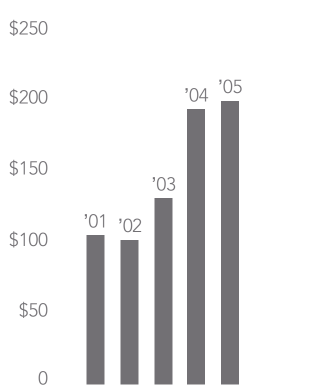


FINANCIAL HIGHLIGHTS

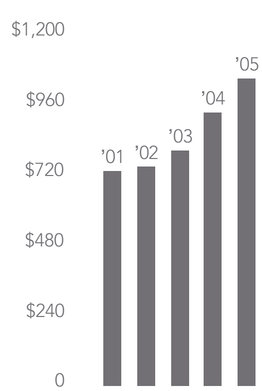
(dollars in thousands except per share amounts)

Years ended December 31,	**2005**	**Change**	2004	Change	2003
Results of Operations					
Net sales	**$1,043,275**	**12%**	$ 928,297	16%	$797,920
Operating income	**182,787**	**22**	149,384	36	109,862
Net income	**109,803**	**27**	86,406	39	62,352
Financial Position					
Working capital	**$ 194,205**	**72%**	$ 112,983	4%	$108,815
Total assets	**1,244,180**	**5**	1,186,292	23	960,739
Total borrowings	**160,043**	**(29)**	225,317	28	176,546
Shareholders' equity	**823,010**	**15**	713,605	21	592,102
Performance Measures					
Percent of net sales:					
Operating income	**17.5%**		16.1%		13.8%
Net income	**10.5**		9.3		7.8
Return on average assets	**9.0**		8.0		6.6
Debt as a percent of capitalization	**16.3**		24.0		23.0
Return on average shareholders' equity	**14.3**		13.2		11.3
Per Share Data—Diluted					
Net income	**$ 2.08**	**24%**	$ 1.68	34%	$ 1.25
Cash dividends paid	**.48**	**14**	.42	14	.37
Shareholders' equity	**15.59**	**11**	14.04	17	11.97
Other Data					
Employees at year end	**4,263**	**1%**	4,232	15%	3,689
Shareholders at year end	**6,700**	**12**	6,000	5	5,700
Diluted weighted average shares outstanding (in 000s)	**52,720**	**3**	51,348	3	49,973

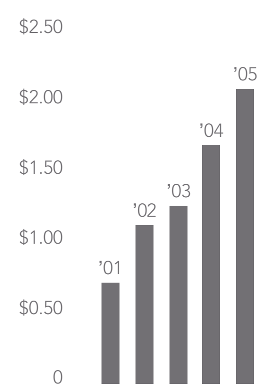
Total Return to Shareholders
(dollars based on $100 investment in 2000)



Net Sales
(in millions)



Diluted Earnings Per Share



TO OUR SHAREHOLDERS:

"This is an exciting time at IDEX. Our business fundamentals are strong. We have a great growth engine and a very capable team."

Larry Kingsley
President and Chief Executive Officer

We have a strong and dedicated workforce. Our IDEX associates continue to demonstrate outstanding commitment to achieve fantastic performance for all of our stakeholders. I'm proud of our team and I consider it an honor to be their leader.

We continue to generate our own growth and industry-leading performance. We do this through focus, rigor and discipline—words that are frequently used but are actually underpracticed. We compete everyday to develop our existing customer relationships and build new business relationships for the future.

Our core competence of applied, engineered niche industrial market solutions continues to afford us tremendous expansion opportunities. More than 70 percent of our revenue is derived from customer-specific technical requirements. We believe that the foundation of our ongoing superior performance is our ability to carefully choose the strongest new business opportunities that align well with our core competence.

Through a combination of creativity and discipline, we innovate. During 2005, innovation was the means for us to develop new products, new enabling tools for our customers, and new channels to market, as well as the means to enter new markets altogether.

PERFORMANCE HIGHLIGHTS

During the year, we grew at an organic rate of 10 percent, which is unprecedented for IDEX.

We expanded our operating margins by 140 basis points and delivered 40 cents of incremental EPS. 2005 was strong in so many respects. Our standout performance was our organic growth fueled by a broad base of new customers.

In summary, our performance for the year:

- Sales growth of 12 percent
- Organic sales growth of 10 percent
- Operating margin expansion of 140 basis points
- Free cash flow generation of $122 million
- EPS growth of 24 percent, or 40 cents, to $2.08 per share
- $3 million, or 14 percent more, committed to innovation

OPERATIONAL EXCELLENCE FUELS INNOVATION FOR GROWTH

We're pleased with the number of exciting new products that we introduced in '05. Better than 20 percent of our sales came from new products introduced within the past three years. We spent more on research and development. We delivered new products to market like the Eclipse, a potentially game-changing, 100 percent non-metallic pump technology useful in corrosive environment applications, and new precision pumping technology for high-speed office products. We introduced several new high-performance rescue tools which provide unmatched mobility and cutting force to rescue teams. We are particularly proud of our exciting new products that serve new markets such as the bio-compatible, implantable medical technology introduced by Upchurch Medical.

One of the defining strengths within IDEX is operational excellence. This has been and will continue to be a differentiating attribute of our company. Our leaders use it as the blueprint for how we execute. Operational excellence is woven throughout our business culture and it is the mindset for how we think about all forms of business process improvement on the production floor and within the office environment.

In early 2005, we launched a multi-year initiative that we call Mixed Model Lean. This initiative is our adaptation of the base Lean Manufacturing concepts for the highly engineered, high product mix environment that we operate. Through identifying seemingly dissimilar products and operating processes as similar, we're able to remap the operations flow to achieve common, larger product families. This approach is already delivering measurable results. Through it, we will be able to dramatically reduce plant cycle time, improve on-time delivery, improve our applied process time, and leverage our fixed cost investment...for years to come.

BUSINESS DEVELOPMENT

Our business development focus is two-fold. First, we identify key strategic niche market acquisitions where the market fundamentals are strong and the business will benefit from our operating expertise.

BUSINESS STRATEGY:

Operational excellence tools and innovation remain at the heart of our business strategy to improve top- and bottom-line performance.

Our second area of concentration is key technologies that enable and accelerate our core business growth. We believe and continue to execute a very disciplined process to deploy our capital to achieve both short- and long-term shareholder returns.

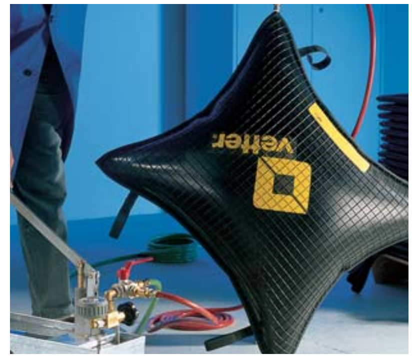
LEADERSHIP

This past year was an important transition year for IDEX. I want to thank my predecessor, Dennis Williams, for his contributions to the company and his support in executing a smooth transition. Dennis announced his resignation as chief executive officer in March of last year and his planned retirement in April 2006. Our business is well positioned to grow based on the solid foundation that he established. I'd also like to acknowledge Clint Kooman, who retired last fall from his position as vice president and corporate controller. Clint achieved 40 years of outstanding service to IDEX and its predecessor company. In addition, Paul Raether announced his planned retirement from our Board effective April 4, 2006. We appreciate his 18 years of service as a Director of our company.

OUTLOOK

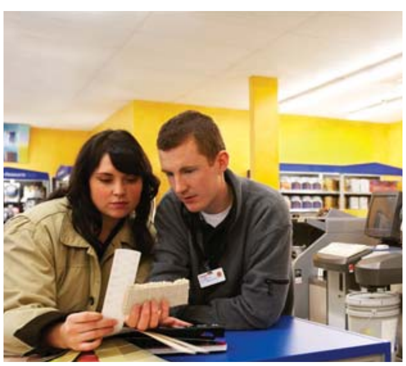
This is an exciting time for IDEX. Our business fundamentals are strong. We have a very capable team. I'd like to thank all of our associates in IDEX for their contribution to an outstanding year and their continued dedication to achieving our future performance.

Larry Kingsley
President and Chief Executive Officer
March 6, 2006



IDEX AT A GLANCE

We serve a highly diverse set of customers, who look to our company to provide applied engineered fluidic and mechanical solutions to their exacting specifications, anywhere in the world. Ours are the recognized brand names of the industrial world. We produce hundreds of products that touch people's lives every day. Whether you're drinking clean water, printing a photograph, buying paint for the kitchen, putting fuel in your car, or just brushing your teeth, chances are an IDEX product was involved somewhere in the value chain.



IDEX AT A GLANCE

	BUSINESS UNIT	PRODUCTS
PUMP PRODUCTS	Gast Manufacturing	Fractional horsepower compressors, vacuum pumps, air motors, regenerative blowers, and vacuum generators.
	Liquid Controls/Corken/Sponsler/SAMPI	Positive displacement mass flow meters. Electronic registration and control systems. Hose reels and heavy-duty dispensers. Positive displacement rotary vane pumps, side-channel pumps, regenerative turbine pumps, and small horsepower reciprocating piston compressors.
	Pulsafeeder/Knight/Halox/Classic Engineering	Precision metering pumps, special purpose rotary pumps, peristaltic pumps, transfer pumps, engineered system solutions, electronic controls, dispensing equipment, and on-site chlorine dioxide generators.
	Viking Pump/Johnson Pump (UK)/Wright Pump	Rotary internal gear, external gear, lobe, circumferential piston, and centrifugal pumps, strainers, gear reducers, engineered pump systems and related electronic controls.
	Warren Rupp/Versa-Matic/Blagdon	Air-operated and natural gas-operated double-diaphragm pumps, sanitary pumps, high-pressure pumps, and accessories. DC-powered submersible pumps and after-market replacement parts for competitors' products.
	Micropump/Ismatec/Trebor	Miniature precision-engineered pump technologies, including: magnetically and electromagnetically driven sealless, external and internal gear, valveless piston, and sliding vane pumps. Precision peristaltic pumps, drives and fluid processing systems. High-purity double-diaphragm pumps and deionized water heaters.
	Rheodyne/Systec	High precision, multi-position fluid valves and accessories, multi-channel vacuum degassing systems, and proprietary liquid waveguide technologies used in analytical instrumentation.
	Scivex/Upchurch Scientific/Sapphire Engineering	Specialty medical devices including implantable and disposable devices and instrumentation components. Fluidic components and integrated sub-assemblies, including custom tubing, fittings, pumps, valves, filters, sensors, and other micro and nano fluidic components.
DISPENSING EQUIPMENT	FAST & Fluid Management Fluid Management	Complete range of manual and automatic precision dispensing and mixing systems, software and service solutions for the production of custom formulations for point-of-use or point-of-sale applications in retail, in-plant and commercial environments. Growing range of product offerings for custom blending applications catering to the paint, ink, food and beverage, and personal care segments.
	Lubriquip	Centralized and automated oil and grease lubrication systems, force-feed lubricators, metering devices, and related electronic controls and accessories.
ENGINEERED PRODUCTS	Fire Suppression (Hale/Hale Europe/Class 1)	Truck-mounted and portable fire pumps, stainless steel valves, foam and compressed-air foam systems, pump modules and pump kits, electronic controls and information systems, conventional and networked electrical systems, and mechanical components for the global fire, rescue and specialty vehicle markets.
	Rescue Tools (Hurst/LUKAS/Dinglee/Vetter)	Hydraulic, battery, gas and electric operated rescue equipment. Hydraulic re-railing equipment. Hydraulic tools for industrial applications. Cutters for recycling applications. Pneumatic lifting and sealing bags for vehicle and aircraft rescue, environmental protection and disaster control. Shoring equipment.
	BAND-IT	Engineered band clamping systems, band and buckle, and preformed clamps. Products are fabricated from a variety of stainless steel and other corrosion resistant materials. Associated powered production and hand installation tools. Hose fittings, clamping kits, cable ties and identification systems; brackets and engineered mounting systems for traffic and safety signs and signals.

MARKETS SERVED
Medical equipment, environmental equipment, printing machinery, paint-mixing machinery, packaging machinery, telecommunications equipment, fire-protection equipment, graphic arts, electronics, and general industrial.
Refined fuels, aviation fuels, liquefied petroleum gas (LPG), cryogenics, chemicals, pharmaceuticals, oil and gas, petrochemical, food and beverage, pulp and paper, paints and coatings, transportation, nitric oxide reduction, refrigerants, and general industrial.
Municipal water and wastewater treatment, polymer feed, power generation, pulp and paper, chemical and hydrocarbon processing, swimming pools, commercial laundry, dishwashing, agriculture, food and beverage, water treatment and conditioning, general industrial, potable water for hospitals and healthcare facilities.
Chemical processing, petroleum, pulp and paper, polymer, paint, ink, steel, construction, electric power, water and wastewater treatment, oil seeds and corn processing, sugar, food and beverage, pharmaceutical, biotechnology, transportation, automotive, machinery lubrication, commercial cooking equipment, plastics and fibers.
Chemical processing, paints and coatings, food processing, pharmaceuticals, construction, industrial maintenance, healthcare, mining, utilities, electronics, pulp and paper, automotive/car care, ceramics, petrochemical, food and beverage, oil and gas, metal finishing, industrial and municipal wastewater, and industrial maintenance.
Paints and inks, medical equipment, chemical processing, energy and fuels, drug discovery and pharmaceutical manufacturing, life sciences, cosmetics, clinical and analytical instruments, food and beverage, pulp and paper, water treatment, aerospace/aircraft, textiles, semiconductor, microelectronics/electrical equipment, and precision heating and cooling.
Pharmaceutical drug discovery, biotechnology, in-vitro diagnostics, chemical processing, recreational water, and health and beauty treatment. Applications are HPLC (High Pressure Liquid Chromatography), CE (Capillary Electrophoresis), LC-MS (Liquid Chromatography Mass Spectroscopy), hematology, and water conditioning.
Medical devices, pharmaceutical, life sciences, clinical diagnostics, environmental laboratories, food/agriculture, medical lab, personal care, and plastics/polymer/rubber production.
Wholesale, specialty retail and hardware stores, home centers, automotive repair, paint manufacturing, personal care for retail or professional use, food and beverage for retail or small batch in-plant applications.
Machine tools, mobile on- and off-road vehicles, gas compressors, material handling and transportation equipment, construction machinery, food processing, packaging machinery, and paper machinery.
Public and private fire and rescue agencies, police, transit bus, mining and specialty vehicle applications.
Public and private fire and rescue agencies, police, military, mining, specialty vehicles, industrial recycling, and rail transport including subway.
Automotive, industrial hose assembly, MRO, municipal, security, shipbuilding, military and commercial aerospace, HVAC, telecommunications, transportation, mining, agriculture, oil and gas exploration and processing, electrical transmission and distribution, paper processing, underwater, cooling towers, bridge and tunnel construction for both original equipment and replacement markets.

IDEX GLOBAL FOOTPRINT

(significant operations)

NORTH AMERICA

Corporate Headquarters
Northbrook, IL

Lake Forest, CA
Rohnert Park, CA
Denver, CO
Bridgeport, CT
Jacksonville, FL

Ocala, FL
Punta Gorda, FL
Cedar Falls, IA
Lake Bluff, IL
Wheeling, IL

Pocasset, MA
Benton Harbor, MI
New Brighton, MN
Shelby, NC
Rochester, NY

Mansfield, OH
Warrensville Heights, OH
Oklahoma City, OK
Conshohocken, PA
Export, PA

Westminster, SC
West Jordan, UT
Oak Harbor, WA
Madison, WI
Muskego, WI

Vancouver, WA
Scarborough, ON, Canada
Windsor, ON, Canada
Mississauga, ON, Canada

UNITED KINGDOM

Crawley, West Sussex
Eastbourne, East Sussex
High Wycombe, Bucks
Sittingbourne, Kent
Staveley, Derbyshire
St. Neots, Cambs
Warwick, Warwickshire
Washington, Tyne and Wear

ITALY

Altopascio (LU)
Milan

GERMANY

Erlangen
Zülpich

SWITZERLAND

Zürich

IRELAND

Shannon, County Clare

THE NETHERLANDS

Sassenheim

AUSTRALIA

Sydney

CHINA

Beijing
Shanghai
Suzhou
Tianjin

SINGAPORE

Singapore

BRAZIL

Porto Alegre-RS

INDIA

Vadodara

Disciplined by Operational Excellence

Creating Continuous Flow in Our High Mix Manufacturing Environment

Operational excellence is well rooted in the IDEX business culture. During 2005, we continued to generate incremental savings—in excess of $23 million—from operational excellence activities and the global sourcing of our materials and components. As we continue to track our progress from both material savings and business process improvement, we are migrating to a management system, a process improvement approach and an integrated set of business metrics that will drive our performance to even higher levels.

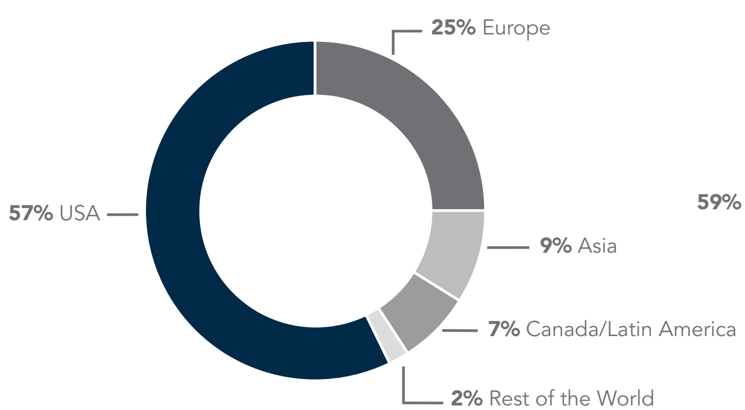
MIXED MODEL LEAN

Our process improvement approach or methodology is what we call Mixed Model Lean and Value Stream Management. In mid-2005, we launched a multi-year initiative to apply this methodology throughout our manufacturing operations. Using the principles of value stream mapping coupled with Lean, Six Sigma and IDEX-developed process improvement techniques, our aim is to continuously improve the rate of flow of our operations both on and off the factory floor.

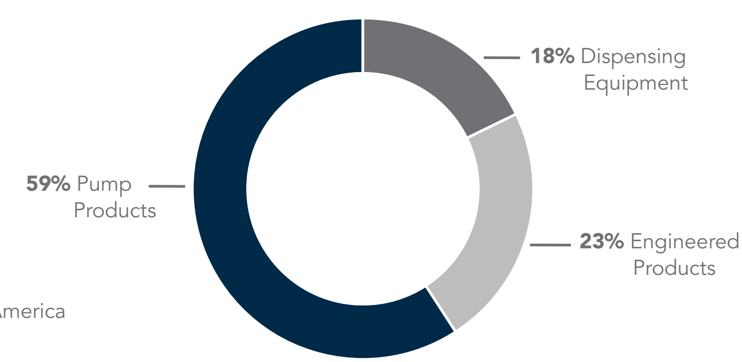
Part of our business strategy is that we operate a high mix, low volume profile of businesses. This profile is inherent in the custom engineered, applied nature of what we target as attractive market and customer segments.

Our Mixed Model Lean methodology allows us to establish flow, improve efficiency and cycle time, and capture cost savings that are critical to our customers. Through the voice of our customer, we

2005
SALES BY REGION



2005
THREE STRONG GLOBAL SEGMENTS
(percent of sales)



"RETHINKING TRADITIONAL FUNCTIONAL ROLES…INNOVATING… ELIMINATING WASTE…BETTER SERVING OUR CUSTOMERS"




1. The first step in creating continuous production flow is to create current and future state maps of a given value stream. *2.* Operational excellence includes rigorous testing to meet our high quality standards. *3.* An Accutinter® 7000 automated paint dispenser gets final calibration to the customer's specifications. *4.* The new Eclipse® non-metallic sealless gear pump is assembled and tested on the same innovative workbench.

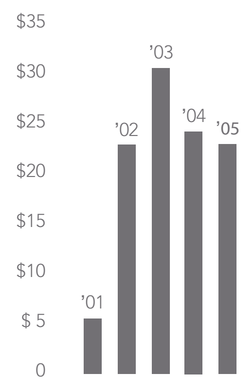
continually drive process improvement to bring forth better products and solutions, at lower total cost, in less time.

STRATEGIC SOURCING

An important aspect of our company's commitment to operational excellence has been to rethink our supply chain strategy and the ways in which we source the materials used in our production facilities. Since we operate businesses and serve customers in numerous countries, we find it critical to be able to source, produce and supply to a variety of different supply chain requirements.

Our sourcing strategy is to continue to invest in and develop world-class capability for parts or processes which provide us competitive advantage—and outsource commodity component items to suppliers who can provide us the best value.

Operational Excellence Savings
(in millions)



In 2005, we developed our corporate strategic sourcing organization. This structure is enabling us to take our company-wide sourcing strategy and deploy automated best practices to our business units to capture embedded material savings that are better leveraged across multiple business units.

What started as a process for pursuing low cost region opportunities has evolved into a global, corporate-led strategic sourcing and supply chain organization that is perpetuating our ability to extract material savings and ensure the source of the highest quality material supply in an increasingly complex total value chain environment.

While Mixed Model Lean and our expanded supply chain strategy are both new elements to our operational excellence model, they are natural evolutions to the expertise and discipline that we've been applying for years.

Driven by Innovation

Reinvestment in the Business Is Driving Organic Growth

As an engineered products company, innovation is what drives and will sustain our growth. We are an entrepreneurial company focused on creating customer solutions and our own opportunities, irrespective of market conditions.

We continue to reinvest the savings as a result of our operational excellence initiatives to fuel organic growth opportunities. In 2005, our organic sales growth was 10 percent. All three segments contributed to our organic sales performance. More than 20 percent of our sales have come from new products introduced within the past three years.

This level of innovation does not happen by chance. Rather, it is a rigorous company-wide discipline to translate our customers' ideas as well as breakthrough, new technology into a steady stream of new product introductions. Our business leaders continually stretch their thinking to redefine and expand our served markets. During the year, we developed a company-wide system for how we identify the best new product opportunities, prioritize them, allocate resources and measure progress toward achieving our goals.

GLOBAL ENGINEERED SOLUTIONS

In 2005, we demonstrated our performance as a high volume engineered product supplier. Building on our expertise in industrial inkjet printing applications, our businesses in the United States, Switzerland and China collaborated in the development and manufacturing of a new pump technology now used in desktop office products. The IDEX solution in this case, as is typical, is an enabling technology that is helping our customer achieve industry-leading performance.

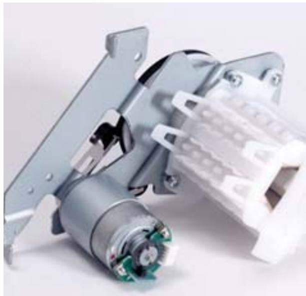
This new high volume business capability is applicable to other exciting new industries where we have defining and defendable technology. A variety of new customer applications will benefit from our knowledge for how we design for size, cost, reliability, product life, temperature extremes, and operating performance.

Leveraging our deep experience with operational excellence, we continue to drive continuous improvement in design and production methodology. We integrate our design for manufacturing experience both in our new designs and in the form of product family expansion and enhancements through the life of the product.

FAST & FLUID MANAGEMENT

FLUID MANAGEMENT

LUBRIQUIP




1. The new multi-channel peristaltic gear pump technology from Micropump is now used in desktop office products. *2.* We are manufacturing to Six Sigma standards in our production facility in Suzhou, China. *3.* The Eclipse pump, the world's first non-metallic sealless gear pump, is ideal for precise pumping capability in corrosive environments. *4.* The Eclipse is part of a sanitizing system now being used in beer brewing and other food and beverage applications.

GAME-CHANGING PRODUCT DIFFERENTIATION

In another example of IDEX innovation driving growth, one of our industrial pump businesses saw a better way to address the needs of customers requiring precise pumping capability in a broad array of low-flow, medium pressure applications for corrosive environments.

Several segments of the industrial pump market are engaged in processes which utilize or produce acids, solvents, caustics and the like. Until now, this segment has struggled with sub-optimal solutions that are susceptible to corrosion. Traditional pump solutions for corrosive environments entail the use of expensive alloys in both positive displacement and centrifugal pump designs.

Using Design for Six Sigma and the voice of our customer to drive the process, we developed and successfully introduced a radically new solution in the form of our new Eclipse non-metallic sealless gear pump. The Eclipse is the world's first gear pump designed to completely eliminate any metal used in all of the wetted surfaces. Through the use of state-of-the-art engineered composites, IDEX has introduced radical new technology that is displacing other positive displacement pump technologies, as well as centrifugal pump solutions. Beyond the defining new materials technology for the application, the Eclipse has been engineered with fewer than half the moving parts of competing pump technologies. The innovative design enables modular manufacturing, and also makes it easy to install, operate and maintain.

The Eclipse is a game-changing solution for corrosive environments within a wide range of applications, from industrial and municipal water treatment to pulp and paper to chemical production to food and beverage processing plants.

INDUSTRIAL

GAST MANUFACTURING

LIQUID CONTROLS/CORKEN/ SPONSLER/SAMPI

PULSAFEEDER/KNIGHT/HALOX/ CLASSIC ENGINEERING

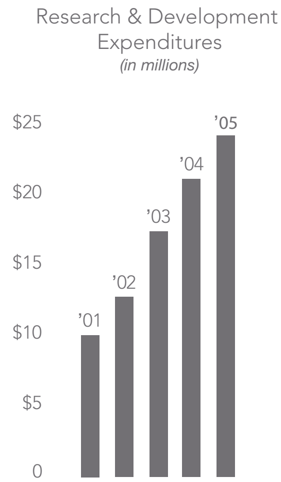
VIKING PUMP/JOHNSON PUMP (UK)/WRIGHT PUMP

WARREN RUPP/ VERSA-MATIC/BLAGDON

INNOVATING GROWTH IN NEW MARKETS

Innovation and stretch thinking are further enabling rapid growth in wholly new markets for IDEX.

We are building on our deep experience in air-moving products to move into demanding new applications. We're focused on OEM segments that require clean, quiet sources of air within a broad range of end use markets. Through addressing critical-to-customer requirements, like long life, very quiet operation, portability and energy efficiency, our air motors, compressors and regenerative blowers are increasingly used within a growing array of products. Our new offerings range from air sampling equipment in the environmental market to body fluid analysis instruments, surgical aspiration devices and in-home medical systems.



Similar market expansion is occurring in our medical technology business, where we continue to leverage our reputation as a medical device manufacturer of high-performance thermoplastics. These high-end materials are increasingly sought after by the medical industry as more bio-compatible alternatives to conventional materials.

Our med tech offerings are used in implantable and disposable devices as well as surgical instruments. These include precision-machined spinal cages used by doctors in the repair of ruptured disks; angioplasty catheter sets used in the diagnosis and treatment of cardiac patients; cochlear ear implant components used in hearing patients; and high-performance handles used in endoscopic instruments. This list continues to grow as we leverage our core competence in high-end materials and our newly operational class 100K and ISO-certified clean room environment.

In a wholly different set of markets, our engineered band clamping business continues to reinvent itself. By leveraging our core competence in permanent clamping solutions, our served market extends well beyond our more traditional industrial and hose clamping applications from bridge and tunnel construction to mining to aerospace.

We've expanded our band clamping solutions from marine applications into the energy market with products developed for offshore platform and subsea applications. The new systems are both the clamping devices and the tools used to fasten various devices in this demanding environment that is focused on operator "ease of use" and installation time. In applications thus far, we've been selected as the system of choice to apply specialty syntactic foam products, such as strakes and insulation jackets, associated with a variety of underwater pipeline and drilling tasks.

PRECISION FLOW

MICROPUMP/ISMATEC/TREBOR

RHEODYNE/SYSTEC

SCIVEX/UPCHURCH SCIENTIFIC/ SAPPHIRE ENGINEERING


SS NOZZLE
WILL NOT OPEN ABOVE 140 PSI
LEFT DC SCENE LIGHT
RIGHT DC SCENE LIGHT
REAR DC SCENE LIGHT
PANEL LIGHTS
PUMP INTAKE
Class1
RIGHT REAR 2 1/2" DISCHARGE



1. The new aerosol nebulizer is among our growing offerings to the medical equipment market. *2.* Leveraging our core competence in high-performance thermoplastics and our new clean room environment, we are expanding our presence in the medical device market. *3.* Fire truck pump modules from Hale continue to gain worldwide share through enhanced features and benefits for vehicle OEMs and the fire service. *4.* Our engineered band clamping systems are now used in offshore platform and subsea applications.

GLOBAL FIRE AND RESCUE PLATFORM

Within our fire and rescue businesses, stretch thinking and new product development are a linked process driving our global growth.

Our ever-evolving family of lighter, faster, more powerful and portable emergency rescue tools now includes insulated spreading and cutting tools designed specifically for use on today's hybrid vehicles; a new battery-powered combination cutting and spreading tool which enhances mobility to the rescuer; and our new MOC Ultra cutting tool which achieves unprecedented cutting force.

Within fire suppression, our fire truck pump modules and compressed air foam systems continue to gain market share the world over through enhanced features and benefits that address the needs of both the vehicle OEMs and the fire service for fit, value and enhanced functionality.

We are especially proud of our new air-bottle based compressed air foam firefighting system. Named "Best New Apparatus Component of the Year" by a leading fire industry publication, our new system is air-bottle versus compressor based, which makes it more cost-effective and easier to maintain than more conventional systems. The new system's smaller size lends itself well to full-sized pumper trucks, wildland applications, and retrofit opportunities. As important, it should make compressed air foam, which is five times more effective in fighting fires than water alone, more readily available to the fire service and local communities.

Whether in fire suppression, undersea solutions, medical technology or any number of other industries, IDEX is increasingly well positioned to respond quickly to our customers' emerging market needs.

FIRE SUPPRESSION


RESCUE TOOLS


BAND-IT

Historical Data[1]

(dollars in thousands except per share amounts)

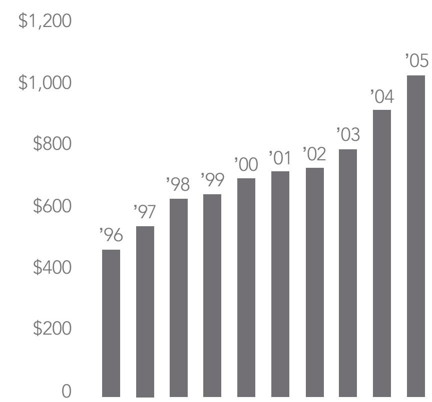
	2005	2004	2003	2002	2001
Results of Operations					
Net sales	**$1,043,275**	$ 928,297	$797,920	$742,014	$726,947
Gross profit	**423,844**	370,795	309,320	281,438	263,722
SG&A expenses	**241,057**	221,411	199,458	181,269	164,893
Goodwill amortization	**—**	—	—	—	14,165
Restructuring activity	**—**	—	—	(203)	11,226
Operating income	**182,787**	149,384	109,862	100,372	73,438
Other income (expense)—net	**564**	(743)	899	(123)	731
Interest expense	**14,423**	14,764	14,091	16,354	20,738
Provision for income taxes	**59,125**	47,471	34,318	29,783	20,721
Income from continuing operations	**109,803**	86,406	62,352	54,112	32,710
Income from discontinued operations	**—**	—	—	—	—
Extraordinary items	**—**	—	—	—	—
Net income	**109,803**	86,406	62,352	54,112	32,710
Financial Position					
Current assets	**$ 347,501**	$ 261,238	$224,496	$221,260	$214,903
Current liabilities	**153,296**	148,255	115,681	108,332	87,338
Working capital	**194,205**	112,983	108,815	112,928	127,565
Current ratio	**2.3**	1.8	1.9	2.0	2.5
Capital expenditures	**22,994**	21,097	20,318	19,335	21,639
Depreciation and amortization	**30,651**	31,529	30,055	30,105	44,297
Total assets	**1,244,180**	1,186,292	960,739	931,050	838,804
Total borrowings	**160,043**	225,317	176,546	241,051	291,820
Shareholders' equity	**823,010**	713,605	592,102	506,791	401,112
Performance Measures					
Percent of net sales					
Gross profit	**40.6%**	40.0%	38.8%	37.9%	36.3%
SG&A expenses	**23.1**	23.9	25.0	24.4	22.7
Goodwill amortization	**—**	—	—	—	1.9
Restructuring activity	**—**	—	—	—	1.5
Operating income	**17.5**	16.1	13.8	13.5	10.1
Income before income taxes	**16.2**	14.4	12.1	11.3	7.4
Income from continuing operations	**10.5**	9.3	7.8	7.3	4.5
Effective tax rate	**35.0**	35.5	35.5	35.5	38.8
Net income return on average assets	**9.0**	8.0	6.6	6.1	4.1
Borrowings as a percent of capitalization	**16.3**	24.0	23.0	32.2	42.1
Net income return on average shareholders' equity	**14.3**	13.2	11.3	11.9	8.4
Per Share Data[2]					
Basic—income from continuing operations	**$ 2.14**	$ 1.73	$ 1.28	$ 1.14	$ .72
—net income	**2.14**	1.73	1.28	1.14	.72
Diluted—income from continuing operations	**2.08**	1.68	1.25	1.11	.70
—net income	**2.08**	1.68	1.25	1.11	.70
Cash dividends declared	**.48**	.45	.37	.37	.37
Shareholders' equity	**15.59**	14.04	11.97	10.40	8.70
Stock price—high	**45.33**	40.96	28.25	26.44	24.80
—low	**36.50**	26.53	17.35	17.13	16.60
—close	**41.11**	40.50	27.73	21.80	23.00
Price/earnings ratio at year end	**20**	24	22	20	33
Other Data[2]					
Employees at year end	**4,263**	4,232	3,689	3,863	3,873
Shareholders at year end	**6,700**	6,000	5,700	4,700	5,500
Shares outstanding (in 000s):					
Weighted average—basic	**51,392**	50,073	48,795	47,504	45,333
—diluted	**52,720**	51,348	49,973	48,725	46,571
At year end (net of treasury)	**52,794**	50,821	49,479	48,716	46,101

(1) See Notes to Consolidated Financial Statements for additional detail.

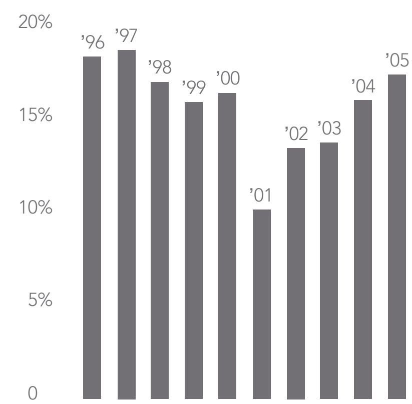
(2) All share and per share data have been restated to reflect the three-for-two stock splits effected in the form of 50% stock dividends in January 1995 and 1997, and May 2004.

2000	1999	1998	1997	1996
$704,276	$655,041	$640,131	$552,163	$474,699
277,952	256,484	252,846	222,357	187,074
149,639	140,495	132,627	110,588	93,217
11,797	11,312	10,676	8,174	6,241
—	—	—	—	—
116,516	104,677	109,543	103,595	87,616
1,031	568	479	(693)	(696)
16,521	18,020	22,359	18,398	17,476
37,581	32,797	33,267	31,029	25,020
63,445	54,428	54,396	53,475	44,424
—	—	10,182	5,151	5,774
—	—	(2,514)	—	—
63,445	54,428	62,064	58,626	50,198
$232,089	$213,715	$195,900	$197,267	$191,599
177,811	91,634	80,265	77,801	83,286
54,278	122,081	115,635	119,466	108,313
1.3	2.3	2.4	2.5	2.3
20,739	18,338	20,763	13,562	11,634
36,704	34,835	33,575	24,943	21,312
758,854	738,567	695,811	599,193	569,745
241,886	268,589	283,410	258,417	271,709
374,502	329,024	286,037	238,671	195,509
39.5%	39.2%	39.5%	40.3%	39.4%
21.2	21.4	20.7	20.0	19.6
1.7	1.7	1.7	1.5	1.3
—	—	—	—	—
16.5	16.0	17.1	18.8	18.5
14.3	13.3	13.7	15.3	14.6
9.0	8.3	8.5	9.7	9.4
37.2	37.6	37.9	36.7	36.0
8.5	7.6	9.6	10.0	9.8
39.2	44.9	49.8	52.0	58.2
18.0	17.7	23.7	27.0	29.0
$ 1.42	$ 1.23	$ 1.23	$ 1.22	$ 1.03
1.42	1.23	1.41	1.34	1.16
1.38	1.21	1.21	1.19	.99
1.38	1.21	1.38	1.30	1.13
.37	.37	.36	.33	.29
8.25	7.40	6.47	5.44	4.51
24.00	22.75	25.83	24.46	18.42
15.17	14.42	13.00	15.50	13.25
22.09	20.25	16.33	23.25	17.75
16	17	14	20	16
3,880	3,773	3,803	3,326	3,093
5,200	5,600	7,000	7,000	6,100
44,589	44,316	43,998	43,776	43,227
45,948	45,128	45,078	44,999	44,669
45,387	44,454	44,199	43,875	43,389

Net Sales
(dollars in millions)



Operating Margin
(percent)



Diluted Earnings Per Share
(dollars)

Cautionary Statement Under the Private Securities Litigation Reform Act

The "Historical Overview and Outlook" and the "Liquidity and Capital Resources" sections of this management's discussion and analysis of our operations contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These statements may relate to, among other things, capital expenditures, cost reductions, cash flow, and operating improvements and are indicated by words or phrases such as "anticipate," "estimate," "plans," "expects," "projects," "should," "will," "management believes," "the Company believes," "we believe," "the Company intends" and similar words or phrases. These statements are subject to inherent uncertainties and risks that could cause actual results to differ materially from those anticipated at the date of this filing. The risks and uncertainties include, but are not limited to, the following: economic and political consequences resulting from terrorist attacks and wars; levels of industrial activity and economic conditions in the U.S. and other countries around the world; pricing pressures and other competitive factors, and levels of capital spending in certain industries—all of which could have a material impact on our order rates and results, particularly in light of the low levels of order backlogs we typically maintain; our ability to make acquisitions and to integrate and operate acquired businesses on a profitable basis; the relationship of the U.S. dollar to other currencies and its impact on pricing and cost competitiveness; political and economic conditions in foreign countries in which we operate; interest rates; capacity utilization and the effect this has on costs; labor markets; market conditions and material costs; and developments with respect to contingencies, such as litigation and environmental matters. The forward-looking statements included here are only made as of the date of this report, and we undertake no obligation to publicly update them to reflect subsequent events or circumstances. Investors are cautioned not to rely unduly on forward-looking statements when evaluating the information presented here.

Historical Overview and Outlook

IDEX Corporation (IDEX or the Company) sells a broad range of pump products, dispensing equipment and other engineered products to a diverse customer base in the United States and other countries around the world. Accordingly, our businesses are affected by levels of industrial activity and economic conditions in the U.S. and in other countries where our products are sold and by the relationship of the U.S. dollar to other currencies. Levels of capacity utilization and capital spending in certain industries and overall industrial activity are among the factors that influence the demand for our products.

IDEX consists of three reporting segments: Pump Products Group, Dispensing Equipment Group and Other Engineered Products Group.

The Pump Products Group produces a wide variety of pumps, compressors, flow meters, injectors and valves, and related controls for the movement of liquids, air and gases. The Dispensing Equipment Group produces highly engineered equipment for dispensing, metering and mixing colorants, paints, inks and dyes, and personal care products; refinishing equipment; and centralized lubrication systems. The Other Engineered Products Group produces firefighting pumps, valves, controls, rescue tools, lifting bags and other components and systems for the fire and rescue industry; and engineered stainless steel banding and clamping devices used in a variety of industrial and commercial applications.

IDEX has a history of achieving above-average operating margins. Our operating margins have exceeded the average operating margin of the companies that comprise the Value Line Composite Index (VLCI) every year since 1988. We view the VLCI operating performance statistics as a proxy for an average industrial company. Our operating margins are influenced by, among other things, utilization of facilities as sales volumes change and inclusion of newly acquired businesses.

Some of our key 2005 financial highlights were as follows:

- Orders were a record $1,057.0 million, 12% higher than a year ago; base business orders—excluding 2004 acquisitions and foreign currency translation—were up 10%.
- Sales of $1,043.3 million set a new record and were up 12% from last year; base business sales—excluding 2004 acquisitions and foreign currency translation—were up 10%.
- Gross margins improved 60 basis points to 40.6% of sales, while operating margins at 17.5% were 140 basis points higher than 2004.
- Net income rose 27% to $109.8 million.
- Diluted EPS of $2.08 was 40 cents ahead of last year.
- Cash flows from operating activities rose 1% and reached an all time high of $144.9 million.

We are pleased with our results in 2005. Our business units again delivered—with double digit increases in orders, sales, and net income as well as strong cash flow. All three business segments generated organic sales growth and continued operating margin expansion as a result of our operational excellence and new product and market initiatives. We enter 2006 well positioned for continued growth and are using all the tools at our disposal to drive revenues, profitability and cash generation.

The following forward-looking statements are qualified by the cautionary statement under the Private Securities Litigation Reform Act set forth above.

We expect economic conditions to remain favorable as we continue to leverage rapid process improvement to meet customer needs, drive earnings and fund innovation to support our organic growth. As a short cycle business, we are mindful that our financial performance is reliant on the current pace of incoming orders. Although we have limited visibility on future business conditions, we believe IDEX is well positioned for earnings expansion, based on our lower cost levels resulting from our operational excellence discipline, our investments in new products, applications and global markets, and our pursuit of strategic acquisitions to complement our longer-term profitable growth.

Results of Operations

The following is a discussion and analysis of our financial position and results of operations for each of the three years in the period ended December 31, 2005. For purposes of this discussion and analysis section, reference is made to the table on page 20 and the Consolidated Statements of Operations on page 26.

Performance in 2005 Compared with 2004

Orders, sales, net income and earnings per share were higher in 2005 compared with 2004. New orders in 2005 totaled $1,057.0 million and were 12% higher than the prior year. Excluding foreign currency translation and the impact of the three acquisitions made since the beginning of 2004 (Systec—April 2004; Scivex—May 2004 and Dinglee—July 2004), orders were 10% higher than a year ago.

Sales in 2005 of $1,043.3 million were 12% higher than the $928.3 million recorded a year ago. Base business sales rose 10%, while acquisitions accounted for an improvement of 2%. Base business sales increased in all three of the Company's reporting segments. Domestic base sales were up 12% over the prior year, while base sales to international customers increased 7% in 2005. Sales to international customers represented 43% of the total, compared with 44% in 2004.

In 2005, the Pump Products Group contributed 59% of sales and 54% of operating income, the Dispensing Equipment Group accounted for 18% of sales and 19% of operating income, and the Other Engineered Products Group represented 23% of sales and 27% of operating income.

Pump Products Group sales of $620.7 million in 2005 increased $78.3 million, or 14%, compared with 2004. The 2004 acquisitions of Systec and Scivex accounted for a 3% sales improvement, while base business activity provided an 11% increase. In 2005, base business sales increased 12% domestically, while base international sales increased 7%. Base business sales to customers outside the U.S. were 37% of total group sales in 2005, down from 38% in 2004.

Dispensing Equipment Group sales of $187.8 million increased by $17.6 million, or 10%, in 2005 compared with the prior year, due to a 9% increase in base business activity and favorable foreign currency translation of 1%. Base domestic sales increased 20% compared with 2004, while base international sales increased 2%. Base sales to customers outside the U.S. were 59% of total group sales in 2005, down from 61% in 2004.

Other Engineered Products Group sales of $239.0 million increased by $20.0 million, or 9%, in 2005 compared with 2004. Base business activity drove the 9% increase in sales. In 2005, base sales increased 8% domestically, while base international sales increased 11%. Base business sales to customers outside the U.S. were 46% of total group sales in 2005, up from 39% in 2004.

Gross profit of $423.8 million in 2005 was $53.0 million, or 14%, higher than 2004. As a percent of sales, gross profit was 40.6% in 2005, which represented a 60 basis point increase from 40.0% in 2004. The higher gross profit margin primarily reflects volume leverage and the Company's global sourcing and operational excellence initiatives.

Selling, general and administrative (SG&A) expenses increased to $241.1 million in 2005 from $221.4 million in 2004. This increase reflects the deliberate reinvestment in the business to drive long-term growth, volume-related expenses and acquisitions. As a percent of net sales, SG&A expenses were 23.1%, an improvement of 80 basis points compared with the 23.9% achieved in 2004.

Operating income increased by $33.4 million, or 22%, to $182.8 million in 2005 from $149.4 million in 2004, primarily due to higher 2005 gross profit, offset by increased SG&A expenses. Operating margins in 2005 were 17.5% of sales, an improvement of 140 basis points compared with the 16.1% achieved in 2004.

In the Pump Products Group, operating income of $114.4 million and operating margin of 18.4% increased in 2005 compared with the $93.4 million and 17.2% recorded in 2004. Operating income for the Dispensing Equipment Group increased to $40.8 million in 2005 from $33.5 million last year, and operating margins improved to 21.7% from 19.7% recorded in 2004. Operating income in the Other Engineered Products Group of $56.7 million and operating margin of 23.7% increased from the $47.1 million and 21.5% achieved in 2004. The margin improvement in all three segments was mostly attributable to the improved sales volumes and other factors discussed above.

Company and Business Group Financial Information

(dollars in thousands)

For the years ended December 31,[1]	**2005**	2004	2003
Pump Products Group			
Net sales[2]	**$ 620,673**	$ 542,336	$456,516
Operating income[3]	**114,404**	93,356	70,436
Operating margins[3]	**18.4%**	17.2%	15.4%
Identifiable assets	**$ 707,614**	$ 694,731	$551,183
Depreciation and amortization[4]	**15,797**	16,464	16,141
Capital expenditures	**13,758**	13,968	12,887
Dispensing Equipment Group			
Net sales[2]	**$ 187,814**	$ 170,198	$159,225
Operating income[3]	**40,785**	33,489	25,724
Operating margins[3]	**21.7%**	19.7%	16.2%
Identifiable assets	**$ 205,333**	$ 214,140	$203,786
Depreciation and amortization[4]	**5,210**	5,616	5,881
Capital expenditures	**3,824**	2,769	2,967
Other Engineered Products Group			
Net sales[2]	**$ 238,992**	$ 219,006	$185,022
Operating income[3]	**56,682**	47,120	32,990
Operating margins[3]	**23.7%**	21.5%	17.8%
Identifiable assets	**$ 256,622**	$ 246,410	$186,417
Depreciation and amortization[4]	**5,696**	6,012	5,116
Capital expenditures	**4,357**	3,204	3,874
Company			
Net sales	**$1,043,275**	$ 928,297	$797,920
Operating income[3]	**182,787**	149,384	109,862
Operating margins[3]	**17.5%**	16.1%	13.8%
Total assets	**$1,244,180**	$1,186,292	$960,739
Depreciation and amortization[4]	**29,965**	30,949	29,475
Capital expenditures	**22,994**	21,097	20,318

(1) Includes acquisitions of Scivex, Inc. (May 2004), Systec, L.L.C. (April 2004), Classic Engineering, Inc. (September 2003) and Sponsler Co., Inc. (June 2003) in the Pump Products Group; and Tianjin Dinglee Machine and Motor Co., Ltd (July 2004) and Manfred Vetter GmbH (January 2004) in the Other Engineered Products Group from dates of acquisition. See Note 11 of the Notes to Consolidated Financial Statements.

(2) Group net sales include intersegment sales.

(3) Group operating income excludes net unallocated corporate operating expenses.

(4) Depreciation and amortization includes amortization of intangible assets and unearned compensation.

Other income of $.6 million in 2005 was $1.3 million higher than $.7 million of expense in 2004. In 2005, we benefited from foreign currency exchange gains. Additionally, in 2004, we incurred hurricane-related costs at one of our business units as well as certain costs associated with the refinancing of our credit facility.

Interest expense decreased to $14.4 million in 2005 from $14.8 million in 2004. The decrease was principally due to lower debt levels resulting from debt paydowns, partially offset by higher interest rates.

The provision for income taxes increased to $59.1 million in 2005 from $47.5 million in 2004. The effective tax rate decreased to 35.0% in 2005 from 35.5% in 2004 due to a favorable impact from foreign tax credits and the additional benefit realized from the deduction for income from qualified domestic production activity, partially offset by a reduction in research and development credits.

Net income was $109.8 million, or $2.08 per share, compared with $86.4 million, or $1.68 per share, in 2004.

Performance in 2004 Compared with 2003

Orders, sales, net income and earnings per share were higher in 2004 compared with 2003. New orders in 2004 totaled $942.4 million and were 18% higher than the prior year. Excluding the impact of the six acquisitions made since the beginning of 2003 (Sponsler—June 2003; Classic—September 2003; Vetter—January 2004; Systec—April 2004; Scivex—May 2004 and Dinglee—July 2004) and foreign currency translation, orders were 9% higher in 2004 compared with 2003.

Sales in 2004 of $928.3 million were 16% higher than the $797.9 million recorded in 2003. Acquisitions and foreign currency translation accounted for an improvement of 6% and 3%, respectively, while base business sales rose 7%. Base business sales increased in all three of the Company's reporting groups. Domestic base sales were up 10% over the prior year, while base sales to international customers increased 2% in 2004. Base sales to international customers represented 43% of the total, compared with 45% in 2003.

In 2004, the Pump Products Group contributed 58% of sales and 54% of operating income, the Dispensing Equipment Group accounted for 18% of sales and 19% of operating income, and the Other Engineered Products Group represented 24% of sales and 27% of operating income.

Pump Products Group sales of $542.3 million in 2004 increased $85.8 million, or 19%, compared with 2003. Acquisitions and foreign currency translation accounted for an 8% and 2% sales improvement, respectively, while base business activity provided a 9% increase. In 2004, base business sales increased 12% domestically, while base international sales increased 6%. Base business sales to customers outside the U.S. were 38% of total group sales in 2004, down from 40% in 2003.

Dispensing Equipment Group sales of $170.2 million increased by $11.0 million, or 7%, in 2004 compared with the prior year, due to favorable foreign currency translation of 5% and a 2% increase in base business activity. Base domestic sales increased 7% compared with 2003, while base international sales decreased 2%. Base sales to customers outside the U.S. were 61% of total group sales in 2004, down from 63% in 2003.

Other Engineered Products Group sales of $219.0 million increased by $34.0 million, or 18%, in 2004 compared with 2003. Acquisitions accounted for an increase of 7%, foreign currency translation added 4% and base business activity contributed 7%. In 2004, base sales increased 13% domestically, while base international sales decreased 1%. Base business sales to customers outside the U.S. were 39% of total group sales in 2004, down from 43% in 2003.

Gross profit of $370.8 million in 2004 was $61.5 million, or 20%, higher than 2003. As a percent of sales, gross profit was 40.0% in 2004, which represented a 120 basis point increase from 38.8% in 2003. The higher gross profit margin primarily reflects reduced material costs from our global sourcing and operational excellence initiatives, volume leverage, and price increases, all of which more than offset cost increases and additional expenses.

SG&A expenses increased to $221.4 million in 2004 from $199.5 million in 2003. This increase was partly due to the inclusion of six acquisitions that incrementally added $10.0 million of cost. This increase also reflects the deliberate reinvestment in the business to drive organic growth as well as certain volume-related cost increases. As a percent of net sales, SG&A expenses were 23.9% in 2004, down from 25.0% in 2003.

Operating income increased by $39.5 million, or 36%, to $149.4 million in 2004 from $109.9 million in 2003, primarily due to higher 2004 gross profit, offset by increased SG&A expenses. Operating margins in 2004 were 16.1% of sales, compared with 13.8% in 2003.

In the Pump Products Group, operating income of $93.4 million and operating margin of 17.2% increased in 2004 compared with the $70.4 million and 15.4% recorded in 2003. Operating income for the Dispensing Equipment Group increased to $33.5 million in 2004 from $25.7 million last year, and operating margins improved to 19.7% from 16.2% recorded in 2003. Operating income in the Other Engineered Products Group of $47.1 million and operating margin of 21.5% increased from the $33.0 million and 17.8% achieved in 2003. The margin improvement in all three segments was mostly attributable to the improved sales volumes and other factors discussed above.

Other expense of $.7 million in 2004 was $1.6 million higher than $.9 million of income in 2003. In 2004, we incurred hurricane-related costs at one of our business units as well as certain costs associated with the refinancing of our credit facility. In 2003, we benefited from a foreign currency exchange gain related to the anticipated funding of the Vetter acquisition in January 2004.

Interest expense increased to $14.8 million in 2004 from $14.1 million in 2003. The increase was principally due to higher debt levels resulting from our recent acquisitions as well as a slightly higher interest rate environment.

The provision for income taxes increased to $47.5 million in 2004 from $34.3 million in 2003. The effective tax rate was 35.5% for both periods.

Net income was $86.4 million, or $1.68 per share, compared with $62.4 million, or $1.25 per share, in 2003.

Liquidity and Capital Resources

At December 31, 2005, working capital was $194.2 million and our current ratio was 2.3 to 1. Cash flows from operating activities increased by $1.8 million, or 1%, to $144.9 million in 2005, mainly due to the improved operating results discussed earlier offset by an increase in working capital requirements.

Cash flows from operating activities were more than adequate to fund capital expenditures of $23.0 million and $21.1 million in 2005 and 2004, respectively. Capital expenditures were generally for machinery and equipment that improved productivity, tooling to support IDEX's global sourcing initiative, business system technology and replacement of equipment and facilities. Management believes that IDEX has ample capacity in its plant and equipment to meet expected needs for future growth in the intermediate term.

In 2004, the Company acquired Vetter, Systec, Scivex and Dinglee at a cost of $44.8 million, $22.4 million, $98.6 million and $4.1 million, respectively. In 2004, the Company also paid $1.1 million in settlement of a purchase price contingency related to the 2003 acquisition of Classic. These payments were financed under the Company's credit facilities.

In addition to the $150.0 million of 6.875% Senior Notes (Senior Notes) due February 15, 2008, the Company also maintains a $600.0 million domestic multi-currency bank revolving credit facility (Credit Facility), which expires on December 14, 2009. With no borrowings outstanding under the Credit Facility at December 31, 2005, and outstanding letters of credit totaling $4.7 million, the maximum amount available under the Credit Facility was $595.3. million. The Credit Facility contains a covenant that limits total debt outstanding to 3.25 times operating cash flow, as defined in the agreement. Our total debt outstanding was $160.0 million at December 31, 2005, and based on the covenant, total debt outstanding was limited to $693.3 million. Interest is payable quarterly on the outstanding balance at the bank agent's reference rate or, at the Company's election, at LIBOR plus an applicable margin. The applicable margin is based on the credit rating of our Senior Notes, and can range from 27 basis points to 75 basis points. Based on the Company's BBB rating at December 31, 2005, the applicable margin was 55 basis points. We also pay an annual fee of 15 basis points on the total Credit Facility.

We also have a one-year, renewable $30.0 million demand line of credit (Short-Term Facility), which expires on December 12, 2006. Borrowings under the Short-Term Facility are at LIBOR plus the applicable margin in effect under the Credit Facility. At December 31, 2005, there were no borrowings outstanding under the Short-Term Facility.

We believe the Company will generate sufficient cash flow from operations for the next 12 months and over the long term to meet its operating requirements, interest on all borrowings, required debt repayments, any authorized share repurchases, planned capital expenditures, and annual dividend payments to holders of common stock. In the event that suitable businesses are available for acquisition upon terms acceptable to the Board of Directors, we may obtain all or a portion of the financing for the acquisitions through the incurrence of additional borrowings.

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Our contractual obligations and commercial commitments include rental payments under operating leases, payments under capital leases, and other long-term obligations arising in the ordinary course of business. There are no identifiable events or uncertainties, including the lowering of our credit rating that would accelerate payment or maturity of any of these commitments or obligations. The Company also has obligations with respect to its pension and postretirement medical benefit plans, which are not included in the table below. See Note 13 of the Notes to Consolidated Financial Statements.

The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2005, and the future periods in which such obligations are expected to be settled in cash. In addition, the table reflects the timing of principal and interest payments on outstanding borrowings. Additional detail regarding these obligations are provided in the Notes to Consolidated Financial Statements, as referenced in the table:

Payments Due by Period *(in thousands)*	Total	Less than 1 Year	1–3 Years	3–5 Years	More than 5 Years
Borrowings (Note 4)[1]	$184,673	$ 13,793	$169,675	$1,074	$ 131
Operating lease commitments (Note 5)	20,250	6,699	8,309	3,441	1,801
Capital lease obligations[2]	6,362	955	1,251	1,374	2,782
Purchase obligations[3]	39,645	36,418	3,199	28	—
Total contractual obligations[4]	$250,930	$ 57,865	$182,434	$5,917	$4,714

(1) Includes interest payments based on contractual terms and current interest rates for variable debt.

(2) Comprised primarily of property leases.

(3) Comprised primarily of inventory commitments.

(4) Comprised of liabilities recorded on the balance sheet of $184,319, and obligations not recorded on the balance sheet of $66,611.

Critical Accounting Policies

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 of the Notes to Consolidated Financial Statements.

Revenue recognition—We recognize revenue from product sales when title passes and the risks of ownership have passed to the customer. Our customary terms are FOB shipping point. Based on our historical experience, we estimate and record provisions for sales returns and sales allowances in the period the related products are sold. To the extent actual results differ from these estimated amounts, results could be adversely affected.

Noncurrent assets—The Company evaluates the recoverability of certain noncurrent assets utilizing various estimation processes. In particular, the recoverability of December 31, 2005 balances for goodwill and intangible assets of $691.9 million and $28.6 million, respectively, are subject to estimation processes, which depend on the accuracy of underlying assumptions, including future operating results. The Company evaluates the recoverability of each of these assets based on estimated business values and estimated future cash flows (derived from estimated earnings and cash flow multiples). The recoverability of these assets depends on the reasonableness of these assumptions and how they compare with the eventual operating performance of the specific businesses to which the assets are attributed. To the extent actual business values or cash flows differ from those estimated amounts, the recoverability of these noncurrent assets could be affected.

Income taxes—The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred income tax assets and liabilities are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities based on currently enacted tax laws. The Company's tax balances are based on management's interpretation of the tax regulations and rulings in numerous taxing jurisdictions. Future tax authority rulings and changes in tax laws and future tax planning strategies could affect the actual effective tax rate and tax balances recorded by the Company.

Contingencies and litigation—We are currently involved in certain legal and regulatory proceedings and, as required and where it is reasonably possible to do so, have accrued our estimates of the probable costs for the resolution of these matters. These estimates have been developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future operating results for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

Defined benefit retirement plans—The plan obligations and related assets of defined benefit retirement plans are presented in Note 13 of the Notes to Consolidated Financial Statements. Plan assets, which consist primarily of marketable equity and debt instruments, are valued using market quotations. Plan obligations and the annual pension expense are determined by consulting with actuaries using a number of assumptions provided by the Company. Key assumptions in measuring the plan obligations include the discount rate at which the obligations could be effectively settled and the anticipated rate of future salary increases. Key assumptions in the determination of the annual pension expense include the discount rate, the rate of salary increases, and the estimated future return on plan assets. To the extent actual amounts differ from these assumptions and estimated amounts, results could be adversely affected.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R). SFAS 123R replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123R will require the fair value of all stock option awards issued to employees to be recorded as an expense over the related vesting period. SFAS 123R also requires the recognition of compensation expense for the fair value of any unvested stock option awards outstanding at the date of adoption. See Note 1 for the pro forma effect on our net income and earnings per share of applying SFAS No. 123. SFAS 123R is effective for public companies for annual periods that begin after June 15, 2005. Accordingly, we will adopt SFAS 123R in the first quarter of 2006. The Company is still evaluating the impact of adopting this SFAS in 2006, but we anticipate an annual pre-tax expense of approximately $8.0 million, or 10 cents per diluted share, net of tax.

In March 2005, the FASB issued FASB Interpretation No. 47 (FIN 47), "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term conditional asset retirement obligation, as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on our results of operations, financial condition or cash flows.

Market Risk

We are subject to market risk associated with changes in interest rates and foreign currency exchange rates. Interest rate exposure is limited to the $160.0 million of total debt outstanding at December 31, 2005. Approximately 6% of the debt is priced at interest rates that float with the market. A 50 basis point movement in the interest rate on the floating rate debt would result in an approximate $.1 million annualized increase or decrease in interest expense and cash flows. The remaining debt is fixed rate debt.

A treasury risk management policy, adopted by the Board of Directors, describes the procedures and controls over derivative financial and commodity instruments, including interest rate swaps. Under the policy, we do not use derivative financial or commodity instruments for trading purposes, and the use of these instruments is subject to strict approvals by senior officers. Typically, the use of derivative instruments is limited to interest rate swaps on the Company's outstanding long-term debt. As of December 31, 2005, the Company did not have any derivative instruments outstanding.

Our foreign currency exchange rate risk is limited principally to the euro and British pound. We manage our foreign exchange risk principally through invoicing our customers in the same currency as the source of our products. As a result, the Company's exposure to any movement in foreign currency exchange rates is immaterial to the Consolidated Statements of Operations.

Consolidated Balance Sheets

(dollars in thousands except per share amounts)

As of December 31,	**2005**	2004
Assets		
Current assets		
Cash and cash equivalents	**$ 77,290**	$ 7,274
Receivables—net	**132,544**	119,567
Inventories	**126,576**	126,978
Other current assets	**11,091**	7,419
Total current assets	**347,501**	261,238
Property, plant and equipment—net	**145,485**	155,602
Goodwill	**691,869**	713,619
Intangible assets—net	**28,615**	29,545
Other noncurrent assets	**30,710**	26,288
Total assets	**$1,244,180**	$1,186,292
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	**$ 69,473**	$ 71,405
Accrued expenses	**74,358**	70,745
Short-term borrowings	**3,144**	—
Dividends payable	**6,321**	6,105
Total current liabilities	**153,296**	148,255
Long-term borrowings	**156,899**	225,317
Other noncurrent liabilities	**110,975**	99,115
Total liabilities	**421,170**	472,687
Commitments and Contingencies (Note 5)		
Shareholders' equity		
Common stock:		
Authorized: 150,000,000 shares at December 31, 2005 and 75,000,000 shares at December 31, 2004, $.01 per share par value		
Issued: 52,857,059 shares at December 31, 2005 and 50,996,444 shares at December 31, 2004	**529**	510
Additional paid-in capital	**290,428**	234,354
Retained earnings	**524,035**	439,137
Minimum pension liability adjustment	**(5,884)**	(4,644)
Cumulative translation adjustment	**25,160**	53,046
Treasury stock, at cost: 63,318 shares at December 31, 2005 and 175,650 shares at December 31, 2004	**(2,361)**	(4,209)
Unearned compensation	**(8,897)**	(4,589)
Total shareholders' equity	**823,010**	713,605
Total liabilities and shareholders' equity	**$1,244,180**	$1,186,292

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

(in thousands except per share amounts)

For the years ended December 31,	**2005**	2004	2003
Net sales	**$1,043,275**	$928,297	$797,920
Cost of sales	**619,431**	557,502	488,600
Gross profit	**423,844**	370,795	309,320
Selling, general and administrative expenses	**241,057**	221,411	199,458
Operating income	**182,787**	149,384	109,862
Other income (expense)—net	**564**	(743)	899
Income before interest expense and income taxes	**183,351**	148,641	110,761
Interest expense	**14,423**	14,764	14,091
Income before income taxes	**168,928**	133,877	96,670
Provision for income taxes	**59,125**	47,471	34,318
Net income	**$ 109,803**	$ 86,406	$ 62,352
Earnings Per Common Share			
Basic earnings per common share	**$ 2.14**	$ 1.73	$ 1.28
Diluted earnings per common share	**$ 2.08**	$ 1.68	$ 1.25
Share Data			
Basic weighted average common shares outstanding	**51,392**	50,073	48,795
Diluted weighted average common shares outstanding	**52,720**	51,348	49,973

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(dollars in thousands except per share amounts)

	Common Stock and Additional Paid-In Capital	Retained Earnings	Minimum Pension Liability Adjustment	Cumulative Translation Adjustment	Treasury Stock	Unearned Compensation	Total Shareholders' Equity
Balance, December 31, 2002	$ 182,863	$ 331,635	$(10,571)	$ 9,240	$ (1,946)	$ (4,430)	$ 506,791
Net income		62,352					62,352
Other comprehensive income, net of tax							
Cumulative translation adjustment				26,652			26,652
Minimum pension adjustment			(1,910)				(1,910)
Other comprehensive income							24,742
Comprehensive income							87,094
Issuance of 809,079 shares of common stock from exercise of stock options and deferred compensation plans	15,633						15,633
Amortization of restricted common stock award						1,899	1,899
Restricted shares surrendered for tax withholdings					(957)		(957)
Cash dividends declared—$.37 per common share outstanding		(18,358)					(18,358)
Balance, December 31, 2003	198,496	375,629	(12,481)	35,892	(2,903)	(2,531)	592,102
Net income		86,406					86,406
Other comprehensive income, net of tax							
Cumulative translation adjustment				17,154			17,154
Minimum pension adjustment			7,837				7,837
Other comprehensive income							24,991
Comprehensive income							111,397
Issuance of 1,238,247 shares of common stock from exercise of stock options and deferred compensation plans	31,997						31,997
Issuance of 145,000 shares of restricted common stock	4,371					(4,371)	—
Amortization of restricted common stock award						2,313	2,313
Restricted shares surrendered for tax withholdings					(1,306)		(1,306)
Cash dividends declared—$.45 per common share outstanding		(22,898)					(22,898)
Balance, December 31, 2004	234,864	439,137	(4,644)	53,046	(4,209)	(4,589)	713,605
Net income		**109,803**					**109,803**
Other comprehensive income, net of tax							
Cumulative translation adjustment				**(27,886)**			**(27,886)**
Minimum pension adjustment			**(1,240)**				**(1,240)**
Other comprehensive income							**(29,126)**
Comprehensive income							**80,677**
Issuance of 1,848,340 shares of common stock from exercise of stock options and deferred compensation plans	**52,683**						**52,683**
Issuance of 176,150 shares of restricted common stock	**3,410**				**3,735**	**(7,145)**	**—**
Amortization of restricted common stock award						**2,837**	**2,837**
Restricted shares surrendered for tax withholdings					**(1,887)**		**(1,887)**
Cash dividends declared—$.48 per common share outstanding		**(24,905)**					**(24,905)**
Balance, December 31, 2005	**$290,957**	**$524,035**	**$(5,884)**	**$ 25,160**	**$(2,361)**	**$(8,897)**	**$823,010**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in thousands)

For the years ended December 31,	**2005**	2004	2003
Cash flows from operating activities			
Net income	**$109,803**	$ 86,406	$ 62,352
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**26,420**	27,998	27,146
Amortization of intangible assets	**708**	638	430
Amortization of unearned compensation on restricted stock	**2,837**	2,313	1,899
Amortization of debt issuance expenses	**686**	580	580
Income tax benefit related to equity awards	**15,234**	5,624	2,061
Deferred income taxes	**4,483**	10,782	10,487
Changes in (net of the effect from acquisitions):			
Receivables	**(18,769)**	(5,953)	6,867
Inventories	**(3,931)**	(9,284)	4,624
Trade accounts payable	**512**	11,897	211
Accrued expenses	**7,691**	11,995	2,508
Other—net	**(786)**	119	(6,900)
Net cash flows provided by operating activities	**144,888**	143,115	112,265
Cash flows from investing activities			
Additions to property, plant and equipment	**(22,994)**	(21,097)	(20,318)
Acquisition of businesses (net of cash acquired)	**(1,191)**	(170,983)	(21,954)
Proceeds from fixed asset disposals	**86**	527	3,436
Net cash flows used in investing activities	**(24,099)**	(191,553)	(38,836)
Cash flows from financing activities			
Borrowings under credit facilities for acquisitions	**—**	170,983	21,954
Net repayments under credit facilities	**(60,067)**	(124,953)	(85,387)
Net borrowings (repayments) of other long-term debt	**(1,709)**	1,665	(1,686)
Dividends paid	**(24,689)**	(21,415)	(18,284)
Proceeds from stock option exercises	**37,503**	22,848	13,176
Other—net	**(1,887)**	(1,148)	(1,023)
Net cash flows provided by (used in) financing activities	**(50,849)**	47,980	(71,250)
Effect of exchange rate changes on cash and cash equivalents	**76**	(820)	(579)
Net increase (decrease) in cash	**70,016**	(1,278)	1,600
Cash and cash equivalents at beginning of year	**7,274**	8,552	6,952
Cash and cash equivalents at end of year	**$ 77,290**	$ 7,274	$ 8,552
Supplemental cash flow information			
Cash paid for:			
Interest	**$ 13,953**	$ 14,022	$ 13,576
Income taxes	**35,916**	23,617	18,774
Significant non-cash activities			
Issuance of restricted stock	**$ 7,145**	$ 4,371	—

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(in thousands except per share amounts)

1. Significant Accounting Policies

BUSINESS

IDEX Corporation (IDEX or the Company) is a manufacturer of a broad range of pumps, metering products, dispensing equipment, and other engineered products sold to a diverse customer base in a variety of industries in the U.S. and internationally. Its products include industrial pumps, compressors, flow meters, injectors and valves, and related controls for use in a wide variety of process applications; precision-engineered equipment for dispensing, metering and mixing paints, and personal care products; refinishing equipment; centralized lubrication systems; and engineered products for industrial and commercial markets, including fire and rescue, transportation equipment, oil and gas, electronics, and communications. These activities are grouped into three business segments: Pump Products, Dispensing Equipment and Other Engineered Products.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the Company and its subsidiaries. Significant intercompany transactions and accounts have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of estimation reflected in the financial statements are sales returns and allowances, warranties, noncurrent assets, income taxes, contingencies and litigation, and defined benefit retirement plans.

REVENUE RECOGNITION

IDEX recognizes revenue from product sales when title passes and the risks of ownership have passed to the customer. Customary terms are FOB shipping point. Based on its historical experience, the Company estimates and records provisions for sales returns and sales allowances in the period the related products are sold.

CASH EQUIVALENTS

The Company considers all highly liquid debt instruments purchased with an original maturity of three or fewer months to be cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost—which includes labor, material and factory overhead—is determined on the first-in, first-out (FIFO) basis or the last-in, first-out (LIFO) basis. A reserve for excess inventory is recorded for inventory on hand in excess of anticipated or historical usage. An obsolescence reserve is recorded for inventory made obsolete by marketplace, product or engineering changes.

DEBT EXPENSES

Expenses incurred in securing and issuing debt are amortized over the life of the related debt and are included in interest expense in the Consolidated Statements of Operations.

EARNINGS PER COMMON SHARE

Earnings per common share (EPS) are computed by dividing net income by the weighted average number of shares of common stock (basic) plus common stock equivalents and unvested restricted shares (diluted) outstanding during the year. Common stock equivalents consist of stock options and deferred compensation units (DCUs) and have been included in the calculation of weighted average shares outstanding using the treasury stock method.

Basic weighted average shares outstanding reconciles to diluted weighted average shares outstanding as follows:

	2005	2004	2003
Basic weighted average common shares outstanding	**51,392**	50,073	48,795
Dilutive effect of stock options, DCUs and unvested restricted shares	**1,328**	1,275	1,178
Diluted weighted average common shares outstanding	**52,720**	51,348	49,973

Options to purchase approximately .2 and .1 million shares of common stock as of December 31, 2005 and 2004, respectively, were not included in the computation of diluted EPS because the exercise price was greater than the average market price of the Company's common stock and, therefore, the effect of their inclusion would be antidilutive.

STOCK OPTIONS

The Company uses the intrinsic-value method of accounting for stock option awards as prescribed by Accounting Principles Board (APB) Opinion No. 25 and, accordingly, does not recognize compensation expense for its stock option awards in the Consolidated Statements of Operations.

The following table reflects pro forma net income and EPS had the Company elected to adopt the fair value approach of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation."

	2005	2004	2003
Net income			
As reported	$109,803	$86,406	$62,352
Add: Stock-based employee compensation expense, net of tax	1,804	1,457	1,196
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(8,591)	(6,839)	(5,985)
Pro forma	$103,016	$81,024	$57,563
Basic EPS			
As reported	$ 2.14	$ 1.73	$ 1.28
Pro forma	2.00	1.62	1.18
Diluted EPS			
As reported	$ 2.08	$ 1.68	$ 1.25
Pro forma	1.97	1.58	1.15

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for 2005, 2004 and 2003, respectively: dividend yields of 1.50%, 1.55% and 1.84%; volatility of 30.0%, 29.6% and 32.6%; risk-free interest rates of 4.3%, 3.0% and 3.2%; and expected lives of 5.5 years.

DEPRECIATION AND AMORTIZATION

Depreciation is recorded using the straight-line method. The estimated useful lives used in the computation of depreciation of tangible assets are as follows:

Land improvements	10 to 12 years
Buildings and improvements	3 to 30 years
Machinery and equipment and engineering drawings	3 to 12 years
Office and transportation equipment	3 to 10 years

Certain identifiable intangible assets are amortized over their estimated useful lives using the straight-line method.

The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation or amortization period or to the unamortized balance is warranted. This evaluation is based on the expected utilization of the long-lived assets and the projected, undiscounted cash flows of the operations in which the long-lived assets are used.

RESEARCH AND DEVELOPMENT EXPENDITURES

Costs associated with research and development are expensed in the year incurred and included in "Cost of sales." Research and development expenses—which include costs associated with developing new products and major improvements to existing products—were $24,213, $21,242 and $17,261 in 2005, 2004 and 2003, respectively.

FOREIGN CURRENCY TRANSLATION

The functional currency of substantially all operations outside the United States is the respective local currency. Accordingly, those foreign currency balance sheet accounts have been translated using the exchange rates in effect as of the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. The gains and losses resulting from changes in exchange rates from year to year have been reported in "Cumulative translation adjustment" in the Consolidated Balance Sheets. The effect on the Consolidated Statements of Operations of transaction gains and losses is insignificant for all years presented.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments, including cash, trade receivables, accounts payable and accrued expenses, approximate their fair values.

CONCENTRATION OF CREDIT RISK

IDEX is not overly dependent on a single customer, the largest of which accounted for less than 2% of net sales for all years presented.

RECLASSIFICATION

Certain reclassifications have been made in the prior years' financial statements to conform to the current year presentation. Specifically, the 2004 and 2003 effect of foreign currency exchange rates on cash and cash equivalents have been reclassified to a separate line outside of operating activities on the Consolidated Statements of Cash Flows. This change in presentation was deemed to be immaterial.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R). SFAS 123R replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS 123R will require the fair value of all stock option awards issued to employees to be recorded as an expense over the related vesting period. SFAS 123R also requires the recognition of compensation expense for the fair value of any unvested stock option awards outstanding at the date of adoption. SFAS 123R is effective for public companies for annual periods that begin after June 15, 2005. Accordingly, we will adopt SFAS 123R in the first quarter of 2006. The Company is still evaluating the impact of adopting this SFAS in 2006, but we anticipate an annual pre-tax expense of approximately $8.0 million, or 10 cents per diluted share, net of tax.

In March 2005, the FASB issued FASB Interpretation No. 47 (FIN 47) "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term conditional asset retirement obligation, as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on the Company's results of operations, financial condition or cash flows.

2. Balance Sheet Components

The components of certain balance sheet accounts at December 31, 2005 and 2004, were as follows:

	2005	2004
Receivables		
Customers	**$133,993**	$120,696
Other	**2,367**	3,131
Total	**136,360**	123,827
Less allowance for doubtful accounts	**3,816**	4,260
Total receivables—net	**$132,544**	$119,567
Inventories		
Raw materials	**$ 52,215**	$ 52,824
Work in process	**13,138**	14,181
Finished goods	**61,223**	59,973
Total inventories	**$126,576**	$126,978

Inventories that were carried on a LIFO basis amounted to $97,785 and $104,957 at December 31, 2005 and 2004, respectively. The excess of current cost over LIFO inventory value amounted to $1,686 and $897 at December 31, 2005 and 2004, respectively.

	2005	2004
Property, plant and equipment, at cost		
Land and improvements	**$ 14,812**	$ 15,474
Buildings and improvements	**94,740**	95,984
Machinery and equipment	**208,691**	206,494
Office and transportation equipment	**81,007**	80,222
Engineering drawings	**5,791**	3,990
Construction in progress	**5,814**	5,650
Total	**410,855**	407,814
Less accumulated depreciation and amortization	**265,370**	252,212
Total property, plant and equipment—net	**$145,485**	$155,602
Accrued expenses		
Payroll and related items	**$ 24,381**	$ 23,950
Management incentive compensation	**13,109**	14,366
Income taxes payable	**7,234**	5,345
Deferred income taxes	**1,142**	7,638
Insurance	**6,810**	4,776
Other	**21,682**	14,670
Total accrued expenses	**$ 74,358**	$ 70,745
Other noncurrent liabilities		
Deferred income taxes	**$ 64,650**	$ 56,414
Pension and retiree medical reserves	**36,387**	40,196
Other	**9,938**	2,505
Total other noncurrent liabilities	**$110,975**	$ 99,115

3. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2005 and 2004, by business group, were as follows:

	Pump Products	Dispensing Equipment	Other Engineered Products	Total
Balance, December 31, 2003	$ 338,292	$ 125,287	$ 95,429	$ 559,008
Goodwill acquired during the year	103,409	—	39,535	142,944
Foreign currency translation	1,400	5,754	4,513	11,667
Balance, December 31, 2004	**$ 443,101**	**$ 131,041**	**$ 139,477**	**$713,619**
Purchase price adjustments	**(2,174)**	**—**	**(71)**	**(2,245)**
Foreign currency translation	**(2,088)**	**(10,053)**	**(7,364)**	**(19,505)**
Balance, December 31, 2005	**$ 438,839**	**$ 120,988**	**$ 132,042**	**$691,869**

The carrying value of identifiable intangible assets at December 31, 2005 and 2004, was $28,615 and $29,545, respectively, which was split between definite and indefinite lived intangible assets as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
As of December 31, 2005			
Definite lived intangible assets			
Patents	**$ 9,386**	**$(4,984)**	**$ 4,402**
Other	**972**	**(274)**	**698**
Total definite lived intangible assets	**10,358**	**(5,258)**	**5,100**
Indefinite lived intangible assets			
Trademarks	**23,515**	**—**	**23,515**
Total intangible assets	**$33,873**	**$(5,258)**	**$28,615**
As of December 31, 2004			
Definite lived intangible assets			
Patents	$ 10,018	$ (4,808)	$ 5,210
Other	725	(168)	557
Total definite lived intangible assets	10,743	(4,976)	5,767
Indefinite lived intangible assets			
Trademarks	23,778	—	23,778
Total intangible assets	$ 34,521	$ (4,976)	$ 29,545

Amortization of intangible assets was $708 and $638 in 2005 and 2004, respectively. Amortization expense for the next five years is estimated to be consistent with 2005.

4. Borrowings

Borrowings at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Senior Notes	**$150,000**	$150,000
Bank credit facilities	**—**	64,195
Other borrowings	**10,043**	11,122
Total borrowings	**160,043**	225,317
Less current portion	**3,144**	—
Total long-term borrowings	**$156,899**	$225,317

In February 1998, the Company sold $150 million of Senior Notes due February 15, 2008 (Senior Notes), with a coupon interest rate of 6.875% and an effective rate of 6.919% to maturity. Interest is payable semiannually. The Senior Notes are redeemable at any time at the option of the Company in whole or in part. At December 31, 2005, the fair market value of the Senior Notes was approximately $154 million, based on the quoted market price.

The Company also maintains a $600 million domestic multi-currency bank revolving credit facility (Credit Facility), which expires on December 14, 2009. At December 31, 2005, there were no borrowings outstanding under the Credit Facility and outstanding letters of credit totaled approximately $5 million. The net available borrowings under the Credit Facility as of December 31, 2005, were approximately $595 million.

Interest on the outstanding borrowings under the Credit Facility is payable quarterly at a rate based on the bank agent's reference rate or, at the Company's election, at a rate based on LIBOR plus 55 basis points per annum. A facility fee equal to 15 basis points per annum is payable quarterly on the total amount available under the Credit Facility.

The Company also has a $30 million demand line of credit (Short-Term Facility), which expires on December 12, 2006. Borrowings under the Short-Term Facility are based on LIBOR plus the applicable margin in effect under the Credit Facility. At December 31, 2005, there were no borrowings under the Short-Term Facility.

At December 31, 2005, other borrowings included capital leases as well as debt at international locations maintained for working capital purposes. Interest is payable on the outstanding debt balances at the international locations at rates ranging from 2.3% to 7.7% per annum.

There are two financial covenants that the Company is required to maintain in connection with the Credit Facility. As defined in the agreement, the minimum interest coverage ratio (operating cash flow to interest) is 3.0 to 1 and the maximum leverage ratio (outstanding debt to operating cash flow) is 3.25 to 1. At December 31, 2005, the Company was in compliance with both of these financial covenants.

Total borrowings at December 31, 2005 have scheduled maturities as follows:

2006	$ 3,144
2007	485
2008	152,599
2009	553
2010	721
Thereafter	2,541
Total borrowings	$160,043

5. Commitments and Contingencies

At December 31, 2005, total future minimum rental payments under noncancelable operating leases, primarily for office facilities, warehouses and data processing equipment, were $20,250. The future minimum rental commitments for each of the next five years and thereafter are as follows: 2006—$6,699; 2007—$4,915; 2008—$3,394; 2009—$2,256; 2010—$1,185; thereafter—$1,801.

Rental expense totaled $9,402, $10,401 and $9,238 for the years ended December 31, 2005, 2004 and 2003, respectively.

IDEX is a party to various legal proceedings involving employment, contractual, product liability and other matters, none of which is expected to have a material adverse effect on its results of operations, financial condition, or cash flows.

6. Common and Preferred Stock

The Company issued 176 and 145 shares of restricted stock as compensation to key employees in 2005 and 2004, respectively. Of the 176 shares issued in 2005, 100 shares vest annually from one to four years after the grant date, while the remaining 76 shares contain a cliff vesting feature and vest four years after the grant date. Of the 145 shares issued in 2004, 115 shares vest annually from one to five years after the grant date, while the remaining 30 shares contain a cliff vesting feature with half vesting four years and the remaining half five years after the grant date. In 2000, the Company issued 525 shares of restricted stock as compensation to a key employee. These shares vested annually from one to five years after the grant date.

All restricted shares carry dividend and voting rights, and the sale of the shares is restricted prior to the date of vesting. The restricted shares were recorded at their fair market value on the date of the grant, with a corresponding charge to shareholders' equity. The unearned portion is being amortized as compensation expense on a straight-line basis over the related vesting period.

On October 20, 1998, IDEX's Board of Directors authorized the repurchase of up to 2.25 million shares of the Company's common stock, either at market prices or on a negotiated basis as market conditions warrant. Since the inception of this program, IDEX has purchased a total of 10 shares at a cost of approximately $144.

At December 31, 2005 and 2004, the Company had 150 million and 75 million shares of authorized common stock, respectively, with a par value of $.01 per share and 5 million shares of preferred stock with a par value of $.01 per share authorized. No preferred stock has been issued as of December 31, 2005.

7. Derivative Instrument

At December 31, 2003, the Company had a foreign currency contract, which it entered into in anticipation of the funding of the January 2004 purchase of Vetter. The increase in fair market value of this contract resulted in income of $.5 million for the year ended December 31, 2003 and was included in "Other income (expense)—net" in the Consolidated Statements of Operations. The Company did not enter into any derivative contracts in 2004 or 2005.

8. Income Taxes

Pretax income for the years ended December 31, 2005, 2004, and 2003, was taxed in the following jurisdictions:

	2005	2004	2003
Domestic	**$115,984**	$ 85,119	$66,402
Foreign	**52,944**	48,758	30,268
Total	**$168,928**	$133,877	$96,670

The provision for income taxes for the years ended December 31, 2005, 2004, and 2003, was as follows:

	2005	2004	2003
Current			
U.S.	**$37,043**	$21,921	$13,000
State and local	**1,738**	326	738
Foreign	**15,861**	14,442	10,093
Total current	**54,642**	36,689	23,831
Deferred			
U.S.	**2,730**	6,293	6,954
State and local	**(164)**	1,439	779
Foreign	**1,917**	3,050	2,754
Total deferred	**4,483**	10,782	10,487
Total provision for income taxes	**$59,125**	$47,471	$34,318

Deferred tax assets (liabilities) related to the following at December 31, 2005 and 2004:

	2005	2004
Employee and retiree benefit plans	**$ 2,199**	$ 882
Depreciation and amortization	**(69,074)**	(68,455)
Inventories	**(3,284)**	(4,660)
Allowances and accruals	**6,774**	5,666
Other	**1,506**	2,515
Total	**$(61,879)**	$(64,052)

The deferred tax assets and liabilities recognized in the Company's Consolidated Balance Sheets are as follows:

	2005	2004
Deferred tax asset—other current assets	**$ 3,913**	$ —
Deferred tax liability—accrued expenses	**(1,142)**	(7,638)
Noncurrent deferred tax liability—other noncurrent liabilities	**(64,650)**	(56,414)
Net deferred tax liabilities	**$(61,879)**	$(64,052)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to pretax income. The computed amount and the differences for the years ended December 31, 2005, 2004, and 2003 are shown in the following table.

	2005	2004	2003
Pretax income	**$168,928**	$133,877	$96,670
Provision for income taxes:			
Computed amount at statutory rate of 35%	**$ 59,125**	$ 46,857	$33,835
State and local income tax (net of federal tax benefit)	**1,023**	1,147	986
Taxes on non-US earnings —net of foreign tax credits	**(620)**	2,319	960
U.S. business tax credits	**(1,455)**	(2,674)	—
Extra-territorial income (ETI) deduction	**(1,214)**	(1,531)	(945)
Domestic activities production deduction	**(1,528)**	—	—
Other	**3,794**	1,353	(518)
Total provision for income taxes	**$ 59,125**	$ 47,471	$34,318

The Company has not provided an estimate for any U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries that might be payable if these earnings were repatriated since the Company considers these amounts to be permanently invested.

9. Comprehensive Income

The tax effects of the components of other comprehensive income for 2005, 2004 and 2003 follow:

	2005	2004	2003
Minimum pension adjustment			
Pretax amount	$ (1,748)	$12,118	$ (2,864)
Tax benefit (provision)	508	(4,281)	954
Aftertax amount	$ (1,240)	$ 7,837	$ (1,910)
Cumulative translation adjustment			
Pretax amount	$(27,886)	$17,154	$26,652
Tax provision	—	—	—
Aftertax amount	$(27,886)	$17,154	$26,652

10. Business Segments and Geographic Information

IDEX's operations have been aggregated (primarily on the basis of products, production processes, distribution methods and management organizations) into three reportable segments: Pump Products, Dispensing Equipment and Other Engineered Products. The Pump Products Group designs, produces and distributes a wide range of engineered industrial pumps, flow meters, compressors, injectors and valves, and related controls for process applications. The Dispensing Equipment Group designs, manufactures and markets precision-engineered equipment for dispensing, metering and mixing paints, and personal care products; refinishing equipment; and centralized lubrication systems. The Other Engineered Products Group designs, produces and distributes engineered equipment for industrial and commercial markets, including fire and rescue, transportation equipment, oil and gas, electronics, and communications. IDEX is not overly dependent on a single customer, the largest of which accounted for less than 2% of net sales for all years presented.

Information on IDEX's business segments follows, and is based on the nature of products and services offered. The Company evaluates performance based on several factors, of which operating income is the primary financial measure. The accounting policies of the business segments are described in Note 1. Intersegment sales are accounted for at fair value as if the sales were to third parties.

	2005	2004	2003
Net sales			
Pump Products			
External customers	$ 616,475	$ 539,101	$453,703
Intersegment sales	4,198	3,235	2,813
Total group sales	620,673	542,336	456,516
Dispensing Equipment			
External customers	187,814	170,195	159,224
Intersegment sales	—	3	1
Total group sales	187,814	170,198	159,225
Other Engineered Products			
External customers	238,986	219,001	184,994
Intersegment sales	6	5	28
Total group sales	238,992	219,006	185,022
Intersegment eliminations	(4,204)	(3,243)	(2,843)
Total net sales	$1,043,275	$ 928,297	$797,920
Operating income(1)			
Pump Products	$ 114,404	$ 93,356	$ 70,436
Dispensing Equipment	40,785	33,489	25,724
Other Engineered Products	56,682	47,120	32,990
Corporate office and other(2)	(29,084)	(24,581)	(19,288)
Total operating income	$ 182,787	$ 149,384	$109,862
Assets			
Pump Products	$ 707,614	$ 694,731	$551,183
Dispensing Equipment	205,333	214,140	203,786
Other Engineered Products	256,622	246,410	186,417
Corporate office and other(2)	74,611	31,011	19,353
Total assets	$1,244,180	$1,186,292	$960,739
Depreciation and amortization			
Pump Products	$ 15,797	$ 16,464	$ 16,141
Dispensing Equipment	5,210	5,616	5,881
Other Engineered Products	5,696	6,012	5,116
Corporate office and other(3)	3,262	2,857	2,337
Total depreciation and amortization	$ 29,965	$ 30,949	$ 29,475
Capital expenditures			
Pump Products	$ 13,758	$ 13,968	$ 12,887
Dispensing Equipment	3,824	2,769	2,967
Other Engineered Products	4,357	3,204	3,874
Corporate office and other	1,055	1,156	590
Total capital expenditures	$ 22,994	$ 21,097	$ 20,318

(1) Group operating income excludes net unallocated corporate operating expenses.

(2) Includes intersegment eliminations.

(3) Includes amortization of intangible assets and unearned compensation.

Information about the Company's operations in different geographical regions for the years ended December 31, 2005, 2004 and 2003 is shown below. Net sales were attributed to geographic areas based on location of the customer, and no country outside the U.S. was greater than 10% of total revenues.

	2005	2004	2003
Net sales			
U.S.	**$ 595,091**	$516,155	$441,427
Europe	**255,216**	244,153	213,905
Other countries	**192,968**	167,989	142,588
Total net sales	**$1,043,275**	$928,297	$797,920
Long-lived assets— property, plant and equipment			
U.S.	**$ 97,805**	$101,357	$102,522
Europe	**43,713**	51,398	42,358
Other countries	**3,967**	2,847	2,215
Total long-lived assets	**$ 145,485**	$155,602	$147,095

11. Acquisitions

In January 2006, the Company acquired the assets used to conduct the Airshore International business of Direct Equipment West, Ltd. Based in British Columbia, Canada, the Airshore business provides stabilization struts for collapsed buildings and vehicles, high and low pressure lifting bags and forcible entry tools for the fire and rescue markets. Airshore will operate as part of Hale Products.

In 2004, the Company acquired Manfred Vetter GmbH (January 2004), Systec, L.L.C. (April 2004), Scivex, L.L.C. (May 2004) and Tianjin Dinglee Machine and Motor Co., Ltd (July 2004). Vetter, based in Zülpich, Germany, designs and manufactures pneumatic lifting and sealing bags for vehicle and aircraft rescue, environmental protection, industrial maintenance, and disaster recovery and control. Vetter operates as part of the Hale business unit within the Other Engineered Products Group. Systec, based in New Brighton, Minnesota, designs and manufactures vacuum degassing products for the analytical chemistry instrumentation market. Systec operates as part of our Rheodyne business unit within the Pump Products Group. Scivex, which operates Upchurch Scientific in Oak Harbor, Washington and Sapphire Engineering in Pocasset, Massachusetts, is a leading provider of fluidic components and systems for the analytical, biotechnology and diagnostics instrumentation markets. Scivex is being operated as a stand-alone business unit in IDEX's Pump Products Group. Dinglee, based in Tianjin, China, is a leading manufacturer of rescue tools in the Chinese rescue tool market. Dinglee operates as part of our Hale business unit within the Other Engineered Products Group. IDEX acquired Vetter, Systec, Scivex and Dinglee for a purchase price of $44,813, $22,442, $98,553 and $4,106, respectively, with financing provided by borrowings under the Credit Facility. In addition, a purchase price contingency related to the acquisition of Classic Engineering in September 2003 was settled in 2004, resulting in an additional payment of $1,069. Goodwill and intangible assets recognized as part of these transactions was $142,944 and $10,212, respectively.

In 2003, the Company acquired Sponsler Co., Inc. (June 2003) and Classic Engineering, Inc. (September 2003). Sponsler, headquartered in Westminster, South Carolina, is a manufacturer of precision turbine flow meters to meet all flow applications, including low-flow and situations where viscosity, corrosive media, extreme temperature or hazardous materials are factors. Classic, headquartered in Jacksonville, Florida, is a supplier of fully integrated pump and metering systems to chemical companies and municipal water treatment facilities. It also designs, engineers and manufactures standard and custom chemical-feed systems for the water, wastewater, chemical OEM, pulp and paper, cement and general industrial markets. Within the Pump Products Group, Classic is operated as part of Pulsafeeder, while Sponsler is operated as part of Liquid Controls. IDEX acquired Sponsler and Classic for a purchase price of $10,251 and $3,703, respectively, with financing provided by borrowings under the Credit Facility. Goodwill and intangible assets recognized as part of these acquisitions was $11,484 and $373, respectively. In February 2003, an $8.0 million payment of deferred consideration was made in connection with the Rheodyne acquisition in July 2002.

All acquisitions were accounted for as purchases, and operating results include the acquisitions from the dates of purchase. In addition, in certain instances, the acquisitions contain purchase price contingencies, which are considered to be immaterial to the Company. IDEX does not consider any of the acquisitions, individually or in aggregate, to be material to its results of operations, financial condition, or cash flows for any of the years presented.

12. Stock Options

Under various plans, the Company may grant stock options to employees and non-employee directors at exercise prices equal to or exceeding the market price at the date of grant. Therefore, no compensation cost has been recognized in the Consolidated Statements of Operations for these plans. Substantially all of the options issued prior to 2005 become exercisable in five equal installments, while all options issued in 2005 become exercisable in four equal installments, beginning one year from the date of grant, and generally expire 10 years from the date of grant. The Company may grant additional options for up to 1.5 million shares.

Notes to Consolidated Financial Statements (continued)

The following table summarizes option activity under the plans:

	Number of Shares Under Option	Weighted Average Option Price Per Share
Outstanding at December 31, 2002	4,994,343	$ 19.65
Granted	1,510,988	20.36
Exercised	(813,900)	16.94
Forfeited	(284,181)	21.47
Outstanding at December 31, 2003	5,407,250	20.16
Granted	1,619,300	28.23
Exercised	(1,249,628)	18.95
Forfeited	(208,810)	22.00
Outstanding at December 31, 2004	5,568,112	22.70
Granted	**681,040**	**40.82**
Exercised	**(1,838,719)**	**20.35**
Forfeited	**(213,283)**	**25.40**
Outstanding at December 31, 2005	**4,197,150**	**$26.57**
Exercisable at December 31, 2003	2,309,903	$ 19.14
Exercisable at December 31, 2004	1,946,501	$ 19.90
Exercisable at December 31, 2005	**1,353,473**	**$22.10**

Weighted average fair value of options granted during the year ended:

December 31, 2003	$ 5.90
December 31, 2004	$ 8.04
December 31, 2005	**$11.82**

The following table summarizes information about options outstanding at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life of Contract	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$11.66–18.00	165,819	3.4 years	$17.00	148,183	$16.95
18.01–23.00	1,384,236	6.1 years	19.59	679,070	19.53
23.01–27.00	592,672	5.9 years	25.32	284,255	25.12
27.01–44.84	2,054,423	8.4 years	32.42	241,965	28.90
Total	4,197,150	7.1 years	$26.57	1,353,473	$22.10

13. Retirement Benefits

The Company sponsors several qualified and nonqualified pension plans and other postretirement plans for its employees. The Company uses a measurement date of December 31 for its U.S. defined benefit pension plans and a September 30 measurement date for its non-U.S. defined benefit pension plans. The following table provides a reconciliation of the changes in the benefit obligations and fair value of plan assets over the two-year period ended December 31, 2005, and a statement of the funded status at December 31 for both years:

	Pension Benefits				Other Benefits	
	2005		2004		2005	2004
	U.S.	Non-U.S.	U.S.	Non-U.S.		
Change in benefit obligation						
Obligation at January 1	$ 73,432	$ 21,883	$67,966	$ 16,551	$ 20,090	$ 18,657
Service cost	4,261	593	3,849	581	410	414
Interest cost	4,107	1,124	4,014	1,089	1,193	1,088
Plan amendments	492	—	433	—	(93)	250
Benefits paid	(6,606)	(1,048)	(5,576)	(890)	(1,015)	(692)
Actuarial loss	2,941	3,495	2,746	214	2,734	373
Currency translation	—	(2,674)	—	1,530	—	—
Other	—	—	—	2,808	—	—
Obligation at December 31	$ 78,627	$ 23,373	$73,432	$ 21,883	$ 23,319	$ 20,090
Change in plan assets						
Fair value of plan assets at January 1	$ 64,306	$ 11,163	$54,988	$ 7,260	$ —	$ —
Actual return on plan assets	1,098	1,447	6,384	718	—	—
Employer contributions	6,438	1,983	8,510	1,901	1,015	692
Benefits paid	(6,606)	(1,048)	(5,576)	(890)	(1,015)	(692)
Currency translation	—	(1,281)	—	728	—	—
Other	—	—	—	1,446	—	—
Fair value of plan assets at December 31	$ 65,236	$ 12,264	$64,306	$ 11,163	$ —	$ —
Funded status						
Funded status at December 31	$(13,391)	$(11,109)	$ (9,126)	$(10,720)	$(23,319)	$(20,090)
Unrecognized loss	28,401	7,980	23,536	6,439	6,232	3,770
Unrecognized transition obligation	139	—	199	—	—	—
Unrecognized prior service cost	2,178	—	2,420	—	(376)	(281)
Net amount recognized at December 31	$ 17,327	$ (3,129)	$17,029	$ (4,281)	$(17,463)	$(16,601)
Recognized in the Consolidated Balance Sheets						
Prepaid benefit cost	$ 23,806	$ —	$22,010	$ —	$ —	$ —
Accrued benefit liability	(9,376)	(10,193)	(7,310)	(9,844)	(17,463)	(16,601)
Intangible asset	929	—	608	—	—	—
Accumulated other comprehensive income	1,968	7,064	1,721	5,563	—	—
Net amount recognized at December 31	$ 17,327	$ (3,129)	$17,029	$ (4,281)	$(17,463)	$(16,601)

The accumulated benefit obligation for all defined benefit pension plans was $95,720 and $87,955 at December 31, 2005 and 2004, respectively. For plans with an accumulated benefit obligation in excess of plan assets, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets was $33,233, $31,917 and $12,263, respectively, at December 31, 2005, and $30,558, $28,487 and $11,163, respectively, at December 31, 2004.

The assumptions used in the measurement of the Company's benefit obligation at December 31, 2005 and 2004, were as follows:

	U.S. Plans		Non-U.S. Plans	
	2005	2004	**2005**	2004
Discount rate	**5.50%**	5.75%	**4.30–5.10%**	5.50–6.00%
Expected return on plan assets	**8.50%**	8.50%	**5.00–5.90%**	5.00–6.50%
Rate of compensation increase	**4.00%**	4.00%	**4.25%**	4.25%

To develop the expected rate of return on plan assets, the Company considered the historical returns and the future expectations for returns on each asset class, as well as the target asset allocation of the pension portfolio.

The following tables provide the components of, and the assumptions used to determine, the net periodic benefit cost for the plans in 2005, 2004, and 2003:

	Pension Benefits			Other Benefits		
	2005	2004	2003	**2005**	2004	2003
Service cost	**$ 4,854**	$ 4,430	$ 3,765	**$ 410**	$ 413	$ 330
Interest cost	**5,231**	5,103	4,703	**1,194**	1,088	1,066
Expected return on plan assets	**(5,935)**	(5,597)	(3,449)	**—**	—	—
Net amortization	**3,276**	3,227	3,216	**212**	67	(31)
Net periodic benefit cost	**$ 7,426**	$ 7,163	$ 8,235	**$1,816**	$1,568	$1,365

	U.S. Plans			Non-U.S. Plans		
	2005	2004	2003	**2005**	2004	2003
Discount rate	**5.75%**	6.00%	6.75%	**5.50–6.00%**	5.50-6.00%	5.75%
Expected return on plan assets	**8.50%**	8.50%	8.50%	**5.00–6.25%**	6.50%	6.50%
Rate of compensation increase	**4.00%**	4.00%	4.00%	**4.25%**	4.25%	3.75%

Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation on the market value of assets are amortized over the average remaining service period of active participants. Costs of bargaining unit-sponsored multi-employer plans and defined contribution plans were $7,354, $6,404 and $6,756 for 2005, 2004 and 2003, respectively.

For measurement purposes, a 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2005. The rate was assumed to decrease gradually each year to a rate of 6% for 2013, and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% increase in the assumed health care cost trend rates would increase the service and interest cost components of the net periodic benefit cost by $103 and the health care component of the accumulated postretirement benefit obligation by $1,445. A 1% decrease in the assumed health care cost trend rate would decrease the service and interest cost components of the net periodic benefit cost by $89 and the health care component of the accumulated postretirement benefit obligation by $1,235.

PLAN ASSETS

The Company's pension plan weighted average asset allocations at December 31, 2005 and 2004, by asset category, were as follows:

	2005	2004
Equity securities	**64%**	66%
Debt securities	**35**	33
Other	**1**	1
Total	**100%**	100%

INVESTMENT POLICIES AND STRATEGIES

The investment objectives of the Company's plan assets are to earn the highest possible rate of return consistent with the tolerance for risk as determined periodically by IDEX in its role as a fiduciary. The general guidelines of asset allocation of fund assets are that "equities" will represent from 55% to 75% of the market value of total fund assets with a target of 66%, and "fixed income" obligations, including cash, will represent from 25% to 45% with a target of 34%. The term "equities" includes common stock, convertible bonds and convertible stock. The term "fixed income" includes preferred stock and/or contractual payments with a specific maturity date. The Company strives to maintain asset allocations within the designated ranges by conducting periodic reviews of fund allocations and plan liquidity needs, and rebalancing the portfolio accordingly. The total fund performance is monitored and results measured using a 3- to 5-year moving average against long-term absolute and relative return objectives to meet actuarially determined forecasted benefit obligations. No restrictions are placed on the selection of individual investments by the qualified investment fund managers. The performance of the investment fund managers is reviewed on a regular basis, using appointed professional independent advisors. As of December 31, 2005 and 2004, there were no shares of the Company's stock held in plan assets.

CASH FLOWS

The Company expects to contribute approximately $6.0 million to its defined benefit plans, $7.0 million to its defined contribution plans and $1.0 million to its other postretirement benefit plans in 2006.

ESTIMATED FUTURE BENEFIT PAYMENTS

The future estimated benefit payments for the next five years and the five years thereafter are as follows: 2006—$9,327; 2007—$7,087; 2008—$5,536; 2009—$5,827; 2010—$6,234; 2011 to 2015—$45,149.

14. Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2005 and 2004:

	2005 Quarters				2004 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	$252,058	$271,758	$257,930	$261,529	$214,600	$233,590	$237,557	$242,550
Gross profit	101,957	111,649	104,044	106,194	85,730	93,923	94,989	96,153
Operating income	40,695	48,132	46,649	47,311	31,286	39,814	39,961	38,323
Net income	23,645	28,933	28,515	28,710	17,692	22,834	23,219	22,661
Basic EPS	$ .47	$ .57	$ .55	$ .55	$ .36	$ .46	$ .46	$ .45
Basic weighted average shares outstanding	50,679	50,963	51,618	52,306	49,475	50,060	50,293	50,462
Diluted EPS	$ .45	$ .55	$ .54	$ .54	$ .35	$ .44	$ .44	$ .43
Diluted weighted average shares outstanding	52,383	52,641	53,071	53,492	51,279	52,037	52,400	52,099

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of IDEX Corporation

We have audited the accompanying consolidated balance sheets of IDEX Corporation and its subsidiaries (the Company) as of December 31, 2005 and 2004 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of IDEX Corporation and its subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chicago, Illinois
February 27, 2006

To the Board of Directors and Shareholders
of IDEX Corporation

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that IDEX Corporation and its subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of IDEX Corporation and its subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005, and our report dated February 27, 2006 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chicago, Illinois
February 27, 2006

Management's Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining effective internal control over financial reporting for the Company.

Management has used the framework set forth in the report entitled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2005. Deloitte & Touche LLP has issued an attestation report on management's assessment of the Company's internal control over financial reporting dated February 27, 2006.

Lawrence D. Kingsley
President and Chief Executive Officer

Dominic A. Romeo
Vice President and Chief Financial Officer

Northbrook, Illinois
February 27, 2006

New York Stock Exchange Disclosures

Lawrence D. Kingsley and Dominic A. Romeo have provided certifications to the U.S. Securities and Exchange Commission as required by Section 302 of the Sarbanes-Oxley Act of 2002. These certifications are included as Exhibits 31.1 and 31.2 to the Company's Form 10-K for the year ended December 31, 2005.

As required by the New York Stock Exchange (NYSE), on March 23, 2005, Dennis K. Williams submitted his annual certification to the NYSE that stated he was not aware of any violation by the Company of the NYSE corporate governance listing standards.

Shareholder Information

DIRECTORS

DENNIS K. WILLIAMS
Chairman of the Board
IDEX Corporation
Northbrook, Illinois

LAWRENCE D. KINGSLEY(1)
President and Chief Executive Officer
IDEX Corporation
Northbrook, Illinois

BRADLEY J. BELL(2)
Executive Vice President and Chief Financial Officer
Nalco Company
Naperville, Illinois

FRANK S. HERMANCE(2)
Chairman and Chief Executive Officer
AMETEK, Inc.
Paoli, Pennsylvania

GREGORY B. KENNY(3)
President and Chief Executive Officer
General Cable Corporation
Highland Heights, Kentucky

PAUL E. RAETHER(4)
Member
Kohlberg Kravis Roberts & Co., L.L.C.
New York, New York

NEIL A. SPRINGER(1)(2)(4)
Managing Director
Springer & Associates L.L.C.
Chicago, Illinois

MICHAEL T. TOKARZ(1)(3)
Member
The Tokarz Group L.L.C.
New York, New York

Committee Designation:

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee
(4) Nominating and Corporate Governance Committee

CORPORATE OFFICE

IDEX Corporation
630 Dundee Road
Northbrook, Illinois 60062
847.498.7070

INVESTOR INFORMATION

Inquiries from shareholders and prospective investors should be directed to Susan H. Fisher, Director–Investor Relations, at the corporate office (above). Further information may also be obtained at www.idexcorp.com.

REGISTRAR AND TRANSFER AGENT:

Inquiries about stock transfers, address changes or IDEX's dividend reinvestment program should be directed to:

National City Bank
Shareholder Services
3rd Floor North Annex
4100 W. 150th Street
Cleveland, Ohio 44135
800.622.6757
Email: shareholder.inquiries@nationalcity.com
www.nationalcitystocktransfer.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
111 South Wacker Drive
Chicago, Illinois 60606

DIVIDEND POLICY

IDEX paid a quarterly dividend on its common stock on January 31, 2006 of $.12 per share. The declaration of future dividends is within the discretion of the Company's Board of Directors and will depend upon, among other things, business conditions, earnings and IDEX's financial condition.

STOCK MARKET INFORMATION

IDEX common stock was held by an estimated 6,700 shareholders at December 31, 2005 and is traded on the New York and Chicago Stock Exchanges under the ticker symbol IEX.

PUBLIC FILINGS

Shareholders may obtain a copy of any Form 10-K and 10-Q filed with the United States Securities and Exchange Commission by written request to the attention of Susan H. Fisher, Director–Investor Relations, at the corporate office (above) or through the Company's website at www.idexcorp.com.

ANNUAL MEETING

The 2006 annual meeting of IDEX shareholders will be held on Tuesday, April 4, 2006 at 10:00AM local time at:

LaSalle Room
Bank of America
231 South LaSalle Street
Chicago, Illinois 60697

QUARTERLY STOCK PRICE

		First	Second	Third	Fourth
2005	High	**$42.13**	**$41.29**	**$45.33**	**$44.56**
	Low	**36.50**	**36.62**	**38.65**	**39.14**
	Close	**40.35**	**38.61**	**42.55**	**41.11**
2004	High	$ 29.11	$ 34.39	$ 35.75	$ 40.96
	Low	26.53	28.39	29.20	33.95
	Close	28.99	34.35	33.96	40.50

EXECUTIVE TEAM

Seated (l. to r.): Susan Fisher, Heath Mitts, Bob Kreps, Larry Kingsley, Dan Salliotte, Frank Notaro, John McMurray. Standing (l. to r.): Mike Yates, Brad Spiegel, Kim Bors, Kelly Sloan, Dom Romeo, Dave Kamath, Bob Brinley.

CORPORATE STAFF

LAWRENCE D. KINGSLEY[1]
President and Chief Executive Officer

DOMINIC A. ROMEO[1]
Vice President and Chief Financial Officer

KIMBERLY K. BORS[1]
Vice President – Human Resources

SUSAN H. FISHER
Director – Investor Relations

DIVAKAR (DAVE) KAMATH
Chief Information Officer

HEATH A. MITTS[1]
Vice President – Corporate Finance

FRANK J. NOTARO[1]
Vice President – General Counsel and Secretary

DANIEL J. SALLIOTTE[1]
Vice President – Strategy and Business Development

MICHAEL J. YATES[1]
Vice President – Controller

OPERATING STAFF

ROBERT K. BRINLEY[2]
President – Precision Flow Products

ROBERT W. KREPS[2]
President – Fire and Rescue

JOHN L. McMURRAY[1]
Group Executive – Industrial Pumps

KELLY D. SLOAN[2]
Vice President – Global Supply Chain and Operational Excellence

BRADLEY A. SPIEGEL[2]
President – Dispensing

[1]*Corporate Officer*
[2]*Operating Officer*

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630 DUNDEE ROAD
NORTHBROOK, IL 60062 USA

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